

For personal use only



## Annual Report 2014

# Corporate Directory

## Directors and Company Secretaries

Mr Calvin Treacy (Managing Director)  
Mr Corey Nolan (Non-executive Director)  
Mr Richard Seville (Non-executive Director)  
Ms Linda Scott (Joint Company Secretary)  
Mr Paul Crawford (Joint Company Secretary)

## Head Office and Registered Office

Elementos Limited  
Level 8, 26 Wharf Street  
Brisbane QLD 4000  
Tel: +61 7 3221 7770  
Fax: +61 7 3221 7773  
[www.elementos.com.au](http://www.elementos.com.au)

## Auditors

BDO Audit Pty Ltd  
Level 10, 12 Creek Street  
Brisbane QLD 4000  
Tel: +61 7 3237 5999  
Fax: +61 7 3221 9227  
[www.bdo.com.au](http://www.bdo.com.au)

## Share Registry

Boardroom Pty Limited  
Level 7, 207 Kent Street  
Sydney NSW 2000  
Tel: 1300 737 760  
Fax: 1300 653 459  
[www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)

## Stock Exchange Listing

Australian Securities Exchange Ltd  
ASX Code: ELT

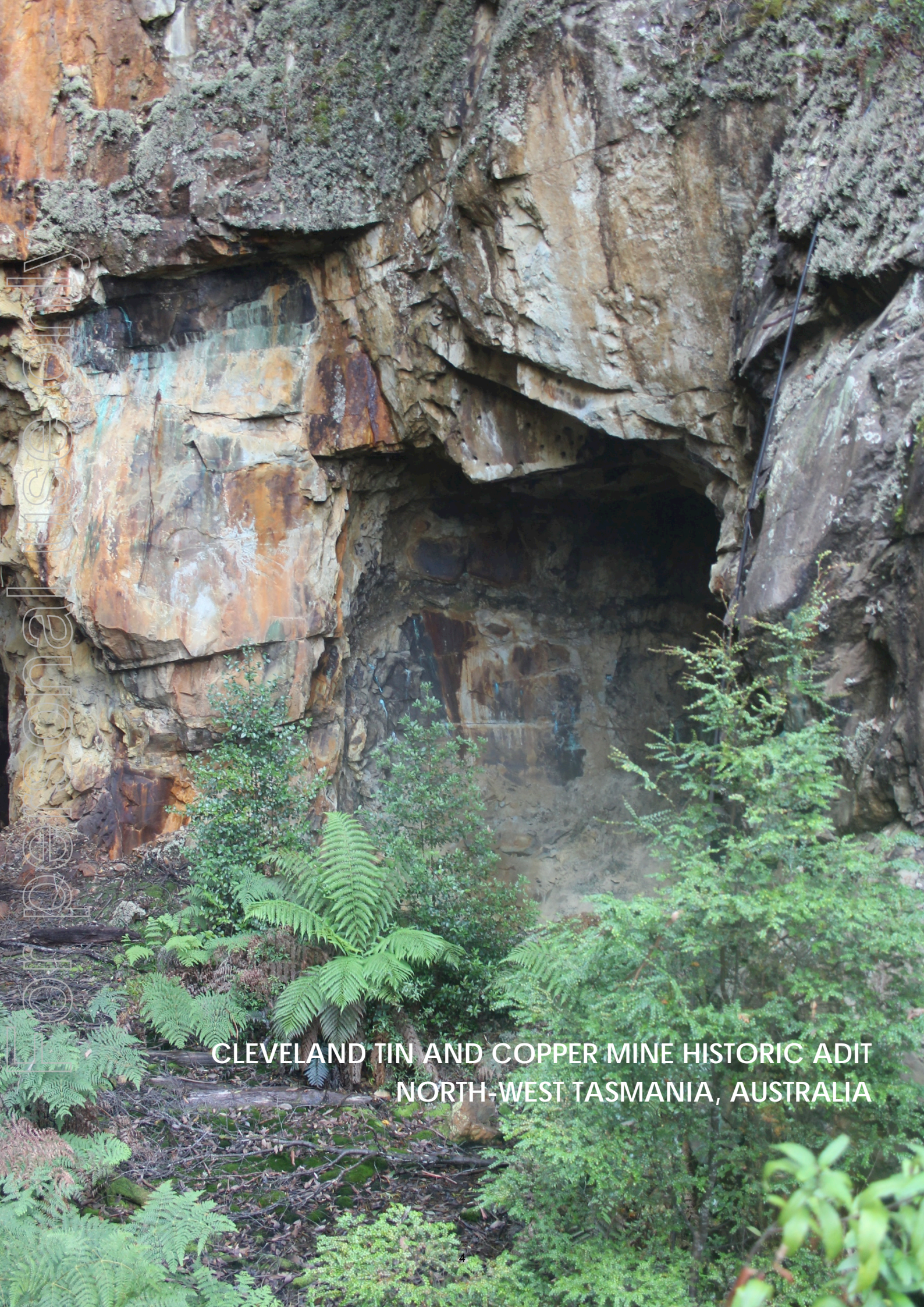
## Australian Business Number

49 138 468 756

# Contents

---

Corporate Directory	2
Directors' Letter	5
Corporate Strategy	6
Strategy	6
Capabilities	6
Objectives	6
Development	6
Exploration	7
Divestment and Joint Ventures	7
Acquisition	7
Review of Projects	8
Cleveland Province, Australia	8
Santo Domingo, Argentina	12
Millenium, Australia	12
Selwyn Range, Australia	13
Manantiales, Argentina and Tamaya, Chile	13
Competent Person's Statements	14
Consolidated Financial Report	15



CLEVELAND TIN AND COPPER MINE HISTORIC ADIT  
NORTH-WEST TASMANIA, AUSTRALIA

# Directors' Letter

---

Dear Shareholders,

We are pleased to report that, during the year, the Company's focus successfully shifted from greenfield exploration to project development. In calendar year 2012, the board of Elementos recognised a change in corporate strategy was necessary in response to the extremely difficult environment for capital raising to fund greenfield exploration. The plan was to identify advanced or brown-field assets which the Company believed could secure new funding. The execution of this strategy led to the acquisition of the advanced Cleveland tin and copper project through a merger with Rockwell Minerals Limited. The strategic rationale for the merger was the strength of the tin industry supply-demand fundamentals. The strong demand for tin continues as it progressively replaces lead in solder in electronics, whilst there has been little investment in exploration or development in the past 20 years.

During the year, the board of Elementos was restructured to reflect the new direction of the Company. Mr James Calaway and Mr A Anthony McLellan stood down as Directors having guided the Company through a difficult period, and Mr Corey Nolan transitioned from Managing Director to Non-executive Director.

As you will see in the following report, Cleveland is an exciting development prospect with several potential projects contained in the one Province. In the short term, the Cleveland low capex tailings project presents an opportunity to generate positive cash flows that can be used in the ongoing development of the Province.

The market continues to be challenging for ASX listed mining companies, with the 2013/14 financial year being amongst the most difficult in memory. It is a credit to the foresight of the former directors, the quality of the Cleveland asset and the hard work of the management team that Elementos has been able to continue the development of Cleveland through this period.

The board remains committed to the strategic direction that was set in 2012, and is confident that, when the commodity markets improve, Elementos will be well positioned to thrive due to the solid foundations that have been laid in the past 12 months.

Finally, none of the progress made would be possible without the ongoing support of our shareholders, for which we are genuinely appreciative.

Sincerely,



Board of Directors.

# Corporate Strategy

## Strategy

Elementos Limited ("Elementos" or the "Company") is an Australian based, Australian Stock Exchange listed, minerals exploration and development company, focussed primarily on tin, copper and tungsten in Tasmania.

The Company's strategy is centred on the development of cash flow positive projects with low capital intensity, that have potential to be funded by a combination of strategic partnership investment, debt and equity. The Company is committed to applying innovative approaches and technologies in all aspects of the business, from project planning to mine operations.

The Company's activities to support the strategy during 2014 have included exploration, mine development studies, progression of government approvals, review of acquisition opportunities, and divestment of non-core assets.

## Capabilities

In the short term, the Company intends to grow internal capabilities in the core technical areas of:

- ❖ Project development;
- ❖ Mineral processing;
- ❖ Mining; and
- ❖ Geology.

These technical capabilities will be supported by strong corporate functions in:

- ❖ Project financing;
- ❖ Investor relations;
- ❖ Strategic partnering; and
- ❖ Accounting and finance.

## Objectives

Our objective is to generate positive cash flows from existing assets in the short term, in order to fund further exploration and development, to build a mid-tier Australian based mining house focused on tin, copper and tungsten.

## Development

The Company has made significant progress in the development of the Cleveland Province in Tasmania, including the tin and copper tailings project, and the tin and copper underground mine redevelopment.

Key project milestones achieved this year include:

- ❖ Upgrades of the underground tin and copper Mineral Resources;
- ❖ Upgrade of the tailings Mineral Resource from Inferred to Indicated;
- ❖ Engineering studies of the infrastructure requirements for both the tailings and underground operations;
- ❖ Mining studies and digitalisation of the historic mine and workings;
- ❖ Review of past metallurgical performance and testwork;
- ❖ Development of metallurgical flowsheets for the tailings and underground mineral processing; and
- ❖ Continued progress on the Development Proposal and Environmental Management Plan as part of the environmental permitting process.

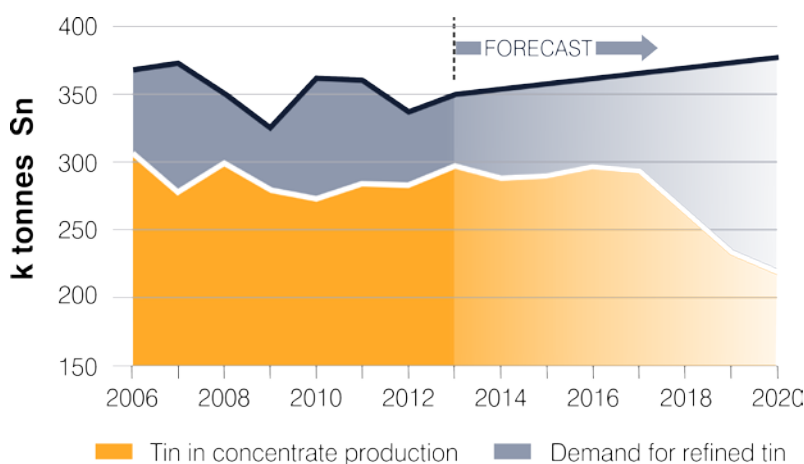
The Company is now well placed to accelerate the development of the tailings project, with the objective of completing environmental permitting, Mining Lease ("ML") approval, and engineering design of the project in 2015.

## Development Timing

Recent papers by the International Tin Research Institute ("ITRI") and the German Federal Institute for Geosciences and Natural Resources ("BRG") state the demand for tin

remains strong due to its use as a major constituent of solder for electronics. However, there appears to be a looming shortage of tin supply due to the lack of new mines that are well advanced in the development cycle, which is exacerbated by the depletion of resources at several key tin mines. BRG anticipates that by 2020 there will be a deficit of as much as 80,000 tonnes of tin per annum if additional projects are not fast tracked. Furthermore, BRG states the effect of the shortfall will be felt as soon as 2017 (see figure below).

A key Company objective is to have the tailings project in production as early as 2016, in advance of any potential supply deficit and resulting major price increase.



## Exploration

The Company's exploration focus is on the Cleveland suite of tenements in North-west Tasmania.

During the year, the Company has undertaken work to determine the exploration potential of the following targets:

- ❖ Cleveland tin and copper (desktop studies);
- ❖ Cleveland tungsten (desktop studies); and
- ❖ Cleveland lead/silver/zinc (rock and soil sampling).

All the studies have demonstrated promising results and the Company believes that, with targeted drilling, good advances could be made in defining further mineralisation in all

commodities. However, as access to exploration capital remains scarce, the Company will continue to minimise exploration expenditure and focus on the development of the known Cleveland resources.

## Divestment and Joint Ventures

During the year, the Company has been successful in forming two joint venture agreements that will allow Millenium and Selwyn Range to be explored, while focusing its resources on Cleveland.

The Company remains committed to realising value from its Santo Domingo project through a joint venture, and have been actively negotiating an agreement.

The non-core assets of Tamaya and Manantiales have been divested in line with Company strategy.

## Acquisition

During the year, the Company finalised the purchase of the Cleveland Mine Exploration Licence ("EL") EL7/2005 from Lynch Mining Pty Ltd. At the beginning of the year, Rockwell Minerals Ltd held a 50% stake in EL7/2005 with the right to purchase the remaining 50% for \$700,000. In June 2014, the option to purchase agreement was renegotiated and the final consideration was settled in cash and equity. Elementos now has 100% ownership of all its Tasmanian tenements, EL7/2005, EL9/2006 and EL15/2011.

The Company has also been investigating other opportunities. However, given the extremely difficult environment for raising capital to fund greenfield exploration, the focus has been on identifying assets that are advanced and complementary to the Cleveland Province.

# Review of Projects

## Cleveland Province, Australia

The Cleveland Province, located in North-west Tasmania, incorporates four projects, all 100% owned by the Company, across 96 km<sup>2</sup> of contiguous tenure including:

- ❖ **Tailings Project**  
Rehabilitation of a tin and copper Mineral Resource and surface mineralisation by retreatment;
- ❖ **Cleveland Underground Redevelopment Project**  
Recommencement of tin and copper production from the Cleveland underground Mineral Resource;
- ❖ **Foley Project**  
Potential development of a large underground tungsten Mineral Resource; and
- ❖ **Near Mine Exploration**  
Focused on discoveries within the surrounding highly prospective geology.

## Historical Mining

Situated within the Company's tenure is the historic Cleveland tin and copper underground mine, operated by Aberfoyle Limited between 1968 and 1986. Aberfoyle was a major operator in the tin and tungsten mining industry with four operating mines in Australia. Cleveland mine was one of the largest underground tin operations in the world and produced approximately 23,000 tonnes of tin and 10,000 tonnes of copper in 18 years of operation. The mine closed in 1986 due to a rapid decline in tin prices caused by the collapse of the International Tin Council.

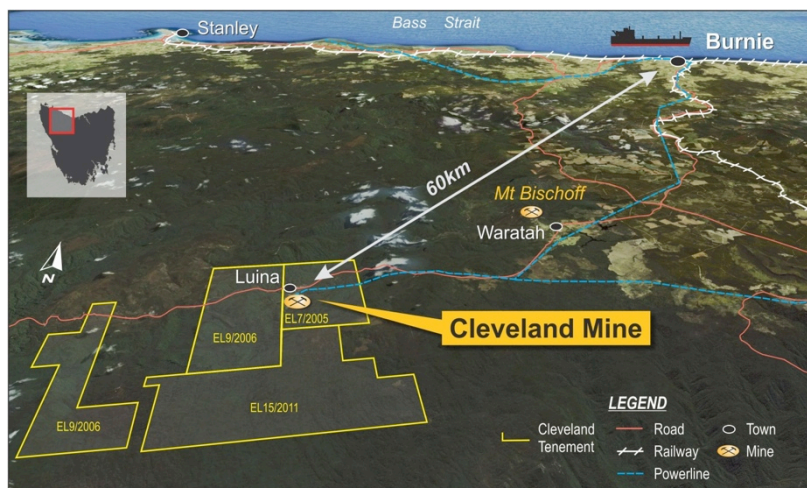
The mine was operated successfully due to its low-cost mining and innovative mineral processing methods. The operation was considered state of the art at the time, being one of the first tin mines to utilise trackless mining and tin flotation technologies.

Mine development extends to 400 metres below the surface with the underground decline and development drives still in place. This potentially provides low capital cost access to the existing tin-copper and tungsten mineralisation.

## Regional Infrastructure

North-west Tasmania hosts some of the world's most productive tin mines, including the operational Renison Bell, and the historic mines of Mount Bischoff and Cleveland. The region also hosts operating iron ore, lead/zinc, gold and copper mines.

North-west Tasmania has well developed infrastructure and a strong mining culture. The



site is linked to Burnie Port by sealed roads. Accessible power runs through the Cleveland Province, and there is abundant water available for use. The Burnie region has a large, available, and experienced workforce. The Tasmanian Government, Environmental Protection Authority, and the Department of Mineral Resources have all indicated support for the Company's projects.

## Tailings Project

Historical mining at Cleveland produced a tailings legacy that the Company proposes to rehabilitate by reprocessing as part of its stewardship of the Province. The tailings are stored above ground on-site in two tailings dams. The tailings contain a substantial quantity of recoverable tin and copper due

in part to operational inefficiencies caused by the International Tin Council quota system (now defunct), and technical limitations of tin processing whilst the mine was in operation. The Company believes that advances in technology, since Cleveland's closure, will allow the tailings to be economically reprocessed using standard mineral processing techniques of fine particle gravity separation and flotation.

MiningOne Consultants independently estimated the Mineral Resources for the Cleveland Tailings Project. The current Indicated Mineral Resource is approximately 3.85Mt @ 0.30% tin and 0.13% copper<sup>1</sup> (0% cut-off grade).

## Cleveland Underground Redevelopment

The tin and copper mineralisation at Cleveland is principally hosted in semi-massive sulphide lenses that have replaced limestone. Tin occurs as cassiterite (tin oxide) and in very minor amounts as stannite, and copper as chalcopyrite.

The tin and copper lenses are more or less vertically dipping, lenticular deposits with strike lengths of up to 500 metres, across strike thicknesses of up to 30 metres and down-dip extents of up to 800 metres.

Extensive geological and mining records have survived from the Aberfoyle operations, including the drill database. The historic assay data has been validated by resampling over 100 historical drill cores and assaying to confirm the reliability of the historical protocols and results.

The verified historic geological records have allowed for the estimation of Mineral Resources, reported in accordance with the JORC Code (2012 Edition), without further drilling. However, further drilling will enhance the understanding of the deposit and potentially the definition of further resources.

<sup>1</sup> Elementos Limited ASX Announcement dated 17<sup>th</sup> June 2014 – Resource Upgrade – Cleveland Tailings Resource – Reported in accordance with the JORC Code (2012 Edition).

The Cleveland Underground Mineral Resource is estimated using over 2,000 drill holes, for a total drilled length of 130,000 metres, and 75,000 assay points for tin, copper, tungsten and selected other metals.

All historical data has been digitised including:

- ❖ drill hole collar locations;
- ❖ drill hole surveys;
- ❖ drill hole assays;
- ❖ lode intercepts;
- ❖ mined out stopes;
- ❖ surface contours of the mine;
- ❖ location of the decline; and
- ❖ location of drives and voids.

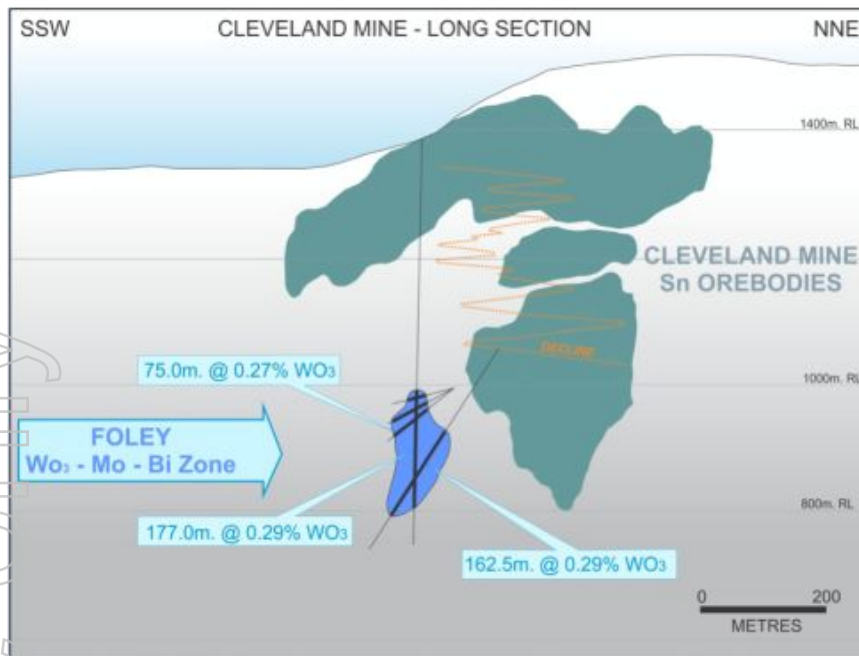
MiningOne Consultants independently estimated the Mineral Resources for the Cleveland Underground Redevelopment Project. The current Indicated Mineral Resource is approximately 5Mt @ 0.69% tin and 0.28% copper, and an Inferred Mineral Resource of approximately 2.4Mt @ 0.56% tin and 0.19% copper<sup>2</sup> (0.35% tin cut-off grade).

## Foley Project

Cleveland also hosts tungsten mineralisation in an area referred to as 'Foley', which was discovered by Aberfoyle in the 1980's. The prospect was never developed despite the fact that the current decline provides access to the mineralisation. Although proximal to the Cleveland Tin and Copper Mineral Resource, Foley is a separate Mineral Resource due to its different host geology.

In the Foley Zone, tungsten is present as wolframite hosted in tungsten bearing porphyry quartz stock-work. The tungsten bearing stock-work is currently considered to dip vertically and has a known strike length of about 300 metres, an across strike width of up to 300 metres and a down dip extent of 900 metres.

<sup>2</sup> Elementos Limited ASX Announcement dated 18<sup>th</sup> April 2013 – Cleveland Tin, Copper and Tungsten JORC Resources. This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported



MiningOne Consultants have independently reviewed historical data relating to Foley and estimated an Inferred Mineral Resource<sup>3</sup> of approximately 3.98Mt@ 0.30%WO<sub>3</sub> and for a total contained metal of 12,000 tonnes above 850RL, from 26 diamond drill holes, totaling 6,796 metres.

### Near Mine Exploration Potential

Within the Cleveland Province there is excellent potential to expand on the known areas of mineralisation and generate further discoveries.

There has been significant drilling to define tin-copper mineralisation. However, it is still open at depth and along strike. The Foley Zone is also an open resource, but unlike the tin-copper resource, the tungsten resource has never been developed.

The Province is under-explored for base metals such as silver, lead and zinc, despite extensive evidence of historical base metal mining operations on the Company's ELs and in surrounding areas.

<sup>3</sup> Elementos Limited ASX Announcement dated 18th April 2013 – Cleveland Tin, Copper and Tungsten JORC Resources. This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported

### Proposed Development Activities

Development activities planned and in progress include:

- ❖ Metallurgical test-work and optimisation of the tailings process flow sheet utilising the latest tin processing technologies;
- ❖ Detailed engineering and cost estimation of the tailings project;
- ❖ Environmental permitting application;
- ❖ Mining Lease application;
- ❖ Development of concentrate off-take sales agreements; and
- ❖ Exploration for surface mineralisation.

### Review of Ore Reserves and Mineral Resources

During the year, the Company continued the development of its Cleveland Mineral Resources to provide:

- ❖ An upgrade of the Tailings Mineral Resource from an Inferred Resource of 3,850kt @ 0.30% tin and 0.13% copper to an Indicated Resource of 3,850kt @ 0.30% tin and 0.13% copper. The classification was upgraded based on independent confirmation of the mass of the tailings;
- ❖ An increase in the Cleveland Underground Mineral Resource from an Indicated Resource of 4,239kt @ 0.70% tin and 0.28% copper to an Indicated Resource of 5,002kt @ 0.69% tin and 0.28% copper. The increase was due to the inclusion of mineralisation that had not previously been modelled; and
- ❖ An increase in the Cleveland Underground Mineral Resource from an Inferred Resource of 1,880 @ 0.64% tin and 0.19% copper to an Inferred Resource of 2,442kt @ 0.56% tin and 0.19% copper. The increase was due to the inclusion of mineralisation that had not previously been modelled.

The Foley Tungsten Mineral Resource remains unchanged.

The Mineral Resources at 30 June 2014 are:

Cleveland Tin and Copper Tailings Mineral Resource (ASX Release: 17 June 2014 Cleveland Tailings Resource Upgrade)					
0% Sn Cut-Off					
Category	Tonnage	% Sn as Cassiterite	Tin Metal (tonnes)	% Cu	Copper Metal (tonnes)
Indicated	3,850,000	0.30	11,500	0.13	5,000
<b>Total</b>	<b>3,850,000</b>	<b>0.30</b>	<b>11,500</b>	<b>0.13</b>	<b>5,000</b>

Cleveland Tin and Copper Mineral Resource Estimate (ASX Release: 5 March 2014 Cleveland JORC Resources Significantly Expanded)					
0.35% Sn Cut-Off					
Category	Tonnage	% Sn	Tin Metal (tonnes)	% Cu	Copper Metal (tonnes)
Indicated	5,002,000	0.69	34,500	0.28	14,000
Inferred	2,442,000	0.56	13,900	0.19	4,600
<b>Total</b>	<b>7,444,000</b>	<b>0.65</b>	<b>48,400</b>	<b>0.25</b>	<b>18,600</b>

Cleveland Tungsten Mineral Resource Estimate (ASX Release: 18 April 2013 Cleveland Tin, Copper and Tungsten JORC Resources)			
0.2% WO <sub>3</sub> Cut-Off			
Category	Tonnage	% WO <sub>3</sub>	Contained WO <sub>3</sub> (tonnes)
Inferred	3,980,000	0.30	12,000
<b>Total</b>	<b>3,980,000</b>	<b>0.30</b>	<b>12,000</b>

## Governance Arrangements and Internal Controls

A summary of the governance and controls applicable to the Company's Mineral Resource processes is as follows:

- ❖ Review and validation of drilling and sampling methodology and data spacing, geological logging, data collection and storage, sampling and analytical quality control;
- ❖ Geological interpretation — review of known and interpreted structure, lithology and weathering controls;
- ❖ Estimation methodology — relevant to mineralisation style and proposed mining methodology;
- ❖ Comparison of estimation results with previous mineral resource models, and with results using alternate

modeling methodologies;

- ❖ Visual validation of block model against raw composite data; and
- ❖ Internal peer review by senior company personnel.

## Santo Domingo, Argentina

Santo Domingo comprises a series of exploration tenements covering nearly 250 km<sup>2</sup>. Located approximately 120 km east of San Juan city, Santo Domingo is a low altitude project with well-established regional infrastructure and access compared to higher Andes Cordillera projects.

Since the Company's public float in December 2009, systematic exploration programs, including mapping, sampling, and ground-magnetometry and Induced Polarisation geophysics, have been completed at Santo Domingo. This has resulted in the discovery of an extensive mineralised system, with a number of distinct styles and structures, including

- ❖ Yvette high-grade gold and silver-polymetallic shear zones;
- ❖ El Arriero west high grade gold and silver zone;
- ❖ Divisoria gold-copper porphyry system;
- ❖ El Arriero (copper – molybdenum) porphyry target; and
- ❖ El Arriero Extension (copper – gold) porphyry.

Elementos believes that Santo Domingo could host a world-class deposit, which would require significant investment in exploration and infrastructure, including additional geophysics and deep drilling. As a result, Elementos has begun discussions with potential joint venture partners with the financial capacity to explore and develop a large porphyry target, to complement the Company's technical understanding of the project.

The Company's acquisition agreement for Santo Domingo includes US\$45,000 payable

twice yearly from 18 October 2014 until 18 April 2018. The final option exercise price is US\$530,000 payable on 18 October 2018.

## Millenium, Australia

Millenium is situated near Cloncurry in the world-class Mt Isa Inlier, a significant gold and base metal producing region, and host to major copper/gold and lead/silver/zinc deposits. The district has established mining, processing and transportation infrastructure in close proximity to the regional centres of Mt Isa and Cloncurry.

The Company has consolidated a large tenement position over the Corella Fault zone, 40 kilometres north-west of Cloncurry. The Government has now granted all 289km<sup>2</sup> of Exploration Permits ("EPMs"). In addition, the Company exercised an Option-to-Purchase agreement with Forte Energy NL to acquire 134 hectares of MLs for \$100,000.

Exploration has been undertaken on the five MLs outlining a large zone of cobalt and copper mineralisation.

The Millenium MLs host a number of historical copper mine workings and prospects that were operated around the turn of the century. Historically, the Federal mine exploited copper in bornite and chalcopyrite down to 135 metres, producing some 10,000 tonnes of ore at exceptionally high grade (~25% copper). Other workings along a shear "lode" structure were less successful for copper mining, but the lodes were noted to be rich in cobalt.

Between 1964 and 1991, several companies explored the district with trenching and drilling programs targeting both copper and cobalt mineralisation, including Carpentaria Exploration Company Pty Ltd, Tasman Minerals NL, and Murchison United NL. Encouraging results were reported from drilling on the Millenium MLs, confirming the thickness of the cobalt mineralisation

Elementos completed a number of outcrop sampling programs during 2010/2011 to study

the areas historically mined and drilled within the MLs. Copper, cobalt, gold and other metallic anomalies were identified along the trend of the Corella structure, including the areas of historic drilling. Subsequently, a soil survey extended the footprint of the mineralisation 1,500 metres north to the limit of the MLs, and remains open, apparently extending onto the newly granted EPMs. The survey extended the potential mineralisation over an area of limited exposure and no historical drilling, reinforcing the potential for further mineralisation over the newly granted EPMs.

Additionally, rare earth elements and Yttrium have been identified in check-assays of rock-chip surface samples announced by the Company in 2010. Total Rare Earths anomalies of up to 0.17% were identified in multiple samples from oxidised surface outcrops and shallow historic trenching. The average anomaly over 36 samples of varied composition and distribution was >400ppm. This is considered a significant surface anomaly and the future drill program will test for these elements at depth.

The Company has entered an earn-in joint venture with Chinalco Yunnan Copper Resources Ltd ("CYU") at the Millenium project, on the following terms:

- ❖ CYU will make a payment of a \$100,000 cash option fee for the exclusive right to explore the properties subject to the joint venture;
- ❖ CYU will have the right to earn 51% of the project by investing \$1.2 million over 3 years; and
- ❖ CYU may increase its interest by a further 19% of the project, by investing an additional \$1.3 million over a further 2 years.

Once CYU earns its 70% interest, each party can either contribute or dilute according to an agreed formula and work program. If either party achieves a 90% interest in the project, the 10% interest immediately converts to a 1% NSR.

## Selwyn Range, Australia

Selwyn Range consists of 109 km<sup>2</sup> of largely contiguous EPMs, 19371, 19375, 19426, all of which were granted during the year.

Selwyn Range is situated 35 kilometres north of Osborne, 10 kilometres east of the prolific Selwyn trend (which includes the Merlin molybdenum rhenium development project), and 40 kilometres west of the Cannington mine. The EPMs are located over an area of inflection in a prospective north-south structural trend, a feature often related to major deposits and mineralised systems in the district. The target style and criteria are similar

to those in the existing Millenium properties 120 kilometres to the north-west. A thorough review has been carried out of open-file data and satellite imagery in order to help plan future exploration activities.

The Company has signed a binding term sheet for an earn-in joint venture with Below Ground Technology ("BGT") at the Selwyn Range project, on the following terms:

- ❖ The right to earn 51% of the project by investing \$0.6 million over 3 years; and
- ❖ The option to increase its interest by a further 19%, by investing an additional \$0.6 million over a further 2 years.

Once BGT earns a 70% interest, each party can either contribute or dilute according to an agreed formula and work program. If either party achieves a 90% interest in the project, the other party's 10% interest immediately converts to a 2% NSR.

## Manantiales, Argentina and Tamaya, Chile

During the year, the Company relinquished its options over the Manantiales and Tamaya projects.

## Competent Person's Statements

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves at the Cleveland tin-copper and tungsten project is based on and fairly represents information compiled by Mick McKeown of Mining One Consultants, a Competent Person who is a Fellow of the Australian Institute of Mining and Metallurgy. Mick McKeown is a full-time employee of Mining One Pty Ltd, a mining consultancy which has been paid at usual commercial rates for the work which has been completed for Elementos Limited.

Mick McKeown has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mick McKeown consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves at the Tamaya project, Chile, the Manantiales and Santo Domingo projects, Argentina, and the Millenium and Selwyn Range projects, Australia, is based on and fairly represents information compiled by Mr Gustavo Delendatti, a member of the Australian Institute of Geoscientist. Mr Delendatti is a full-time employee of Elementos Ltd and its subsidiaries, and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Delendatti consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.



## **ELEMENTOS LIMITED**

**ABN 49 138 468 756**

### **CONSOLIDATED FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2014**

For personal use only

## DIRECTORS' REPORT

The directors submit their report on the consolidated entity ("Group") consisting of Elementos Limited and the entities it controlled at the end of, and during, the financial year ended 30 June 2014.

### Directors

The directors of the Company at any time during or since the end of the financial year are listed below. During the year, there were seven meetings of the full board of directors. The meetings attended by each director were:

Directors	Board		Audit and Risk Committee*		Remuneration Committee*	
	Meetings	Attend	Meetings	Attend	Meetings	Attend
C Treacy (appointed 14/10/13)	5	5	-	-	-	-
C Nolan (continued)	7	7	-	-	-	-
R Seville (appointed 14/10/13)	5	5	-	-	-	-
A A McLellan (resigned 14/10/13)	2	2	-	-	-	-
M D McCauley (resigned 06/08/13)	1	1	-	-	-	-
J D Calaway (resigned 14/10/13)	2	2	-	-	-	-

\*The Directors consider that the Company is not of a size and that its affairs are of such complexity as to justify the formation of special or separate committees.

The directors have been in office since the start of the financial year to the date of this report unless otherwise indicated.

### Company Secretary

Linda Scott, the Company's Chief Financial Officer, held the position of (Joint) Company Secretary at the end of the financial year. Ms Scott is a Chartered Accountant and holds a Bachelor of Commerce degree.

Paul Crawford held the position of (Joint) Company Secretary at the end of the financial year. Mr Crawford is a CPA and holds accounting, company secretarial and business law qualifications. Mr Crawford has been Company Secretary of the Company since its incorporation.

### Principal Activities

The principal activity of the Group during the year was project development in Australia. The Group completed the process of finding an advanced project, given the very difficult environment for raising new equity capital for greenfield exploration, culminating in the merger of Elementos Limited and Rockwell Minerals Limited.

As a result of the merger, the Group's strategy transitioned from exploration for copper and gold in South America and Australia, to the development of the Cleveland Tin and Copper Mineral Resource in Tasmania, acquired through the merger.

The Group's short term objective is to generate positive cash flow by a staged development of its Tasmanian mineral deposits.

During the year, the Group's focus was the project development of the Cleveland Project. However, the Group also continued development of joint arrangements for its other assets in South America and Australia.

## DIRECTORS' REPORT

---

### Review of Operations

Exploration and development activities at the Group's projects during the year are detailed below.

At the **Cleveland Project in North-western Tasmania**, the Group carried out the following activities:

- Resource Definition
  - Upgrading of the Tin and Copper Mineral Resource report to 2012 JORC standard;
  - Enlarged the Tin and Copper Mineral Resource by the inclusion of additional drill data to the model; and
  - Undertook addition studies to define the exploration potential of the known porphyry tungsten resource, and the tin and copper resource at Cleveland.
- Environmental Permitting
  - The Group continued progress towards the environmental approval for the Cleveland tailings reprocessing project and the dewatering of the Cleveland Mine, including the completion of a draft response to the "Development Plan and Environmental Management Plan Guidelines" issued by the Tasmanian EPA.
- Technical Studies
  - Completion of mining, metallurgy and infrastructure studies of the Cleveland Tin and Copper project, to assist in determining the feasibility of developing the tailings reprocessing operation and ultimately reopening the underground mine.
- Exploration
  - The Group undertook preliminary exploration on the Tasmanian Exploration Leases neighboring the Cleveland Project that delivered very promising lead, zinc and silver mineralisation results.
- Tailings Dam Study
  - A fifteen-hole sonic drilling program was completed on the tailings dam for geotechnical, environmental, metallurgical and resource investigation, along with additional geotechnical and hydrogeology work on site.
- Lidar Survey
  - A Lidar survey of the Cleveland area was integrated into the resource model. The survey provides detailed surface topography including the location of haul roads, ventilation ducts, historic mining operations and portals.
- Quantitative Mineralogical Study
  - A quantitative mineral analysis of the tin-copper and tungsten lodes from historical drill core was completed. The data will provide modern insights into the metallurgical characteristics of the various lodes for flow-sheet design.

DIRECTORS' REPORT

---

At **Santo Domingo in Argentina**, activities focused on joint arrangement negotiations with third parties, including:

- Geological site visits; and
- Extensive due diligence.

At the **Millenium Project in the Mt Isa district**, activities included:

- Entering an earn-in agreement with Chinalco Yunnan Copper Resources Limited ("CYU") to explore for copper, cobalt and gold, as well as agreeing amended terms with Forte Energy NL on its Millenium Option-to-Purchase contract. The terms of the agreement are:
  - CYU will make a payment of a \$100,000 cash option fee for the exclusive right to explore the properties subject to the agreement;
  - CYU will have the right to earn 51% of the project by investing \$1.2 million over 3 years;
  - CYU may increase its interest by a further 19% of the project, by investing an additional \$1.3 million over a further 2 years; and
  - Once CYU earns its 70% interest, each party can either contribute or dilute according to an agreed formula and work program. If either party achieves a 90% interest in the project, the 10% interest immediately converts to a 1% Net Smelter Royalty. The agreement is subject to finalisation of a full agreement and the transfer of the Millenium Mining Leases to Elementos.
- CYU completed an initial copper-gold drilling program at Millenium. See ASX release titled "Completion of Initial Copper/Gold Drilling Program at Millenium – Large Mineral System Identified" created on 4 December 2013 and available at [www.cycal.com.au](http://www.cycal.com.au).

At the **Selwyn Range project in the Mt Isa district**, activities included:

- Granting of the large strategic tenement position in the Cloncurry district, in geologically prospective areas, situated near major mines and deposits. This included 109 km<sup>2</sup> of new exploration permits at a new prospect south of Cloncurry;
- Signing a binding term sheet for an earn-in joint agreement with Below Ground Technology Pty Ltd ("BGT"), to explore for copper and gold at the Selwyn Range project. The terms of the agreement are:
  - The right to earn 51% of the project by investing \$0.6M over 3 years;
  - The option to increase its interest by a further 19%, by investing an additional \$0.6M over a further 2 years;
  - Once BGT earns a 70% interest, each party can either contribute or dilute according to an agreed formula and work program. If either party achieves a 90% interest in the project, the other party's 10% interest immediately converts to a 2% NSR; and
  - The agreement is subject to finalisation of a full agreement.

## DIRECTORS' REPORT

---

During the period, the Group relinquished its options over the Tamaya project in Chile and the Manantiales Project in Argentina, following unsuccessful exploration programs.

### Significant Changes in State of Affairs

On 14 October 2013, Elementos Limited completed a merger transaction with Rockwell Minerals Limited, resulting in the Rockwell Minerals Limited shareholders becoming the controlling shareholders of Elementos Limited.

In accordance with the Australian Accounting Standards, the financial statements reflect a continuation of the Rockwell Minerals Limited financial statements.

The Group's operating loss for the financial year, after applicable income tax was \$1,491,656 (2013: \$340,896). Exploration and evaluation expenditure during the year totalled \$1,319,395 (2013: \$499,105).

At 30 June 2014, the Group's net assets totalled \$6,755,762 (2013: \$2,852,949) which included cash assets of \$682,689 (2013: \$143,733).

During the year, the Company raised \$2.85 million (166,073,334 shares) from private placements.

Subsequent to year end, \$1.53 million (127,502,634 shares) was raised from a rights issue and private placements.

### Information on Directors

The board has a strong combination of technical, managerial and capital markets experience. Expertise and experience includes operating and mineral exploration in Australia, Chile and Argentina. The names and qualifications of the current directors are summarised as follows:

#### Calvin Treacy (appointed 14 October 2013)

##### *Managing Director*

Mr Treacy (BEng, MBA, MAICD) has over twenty years senior management experience in mining, mining technology and manufacturing. He has a strong track record of founding and growing companies, and brings a wealth of experience in the areas of strategic planning and capital raising.

Mr Treacy is a qualified Mechanical Engineer and holds a Masters of Business Administration, with extensive experience across a range of industries and positions.

Mr Treacy has worked in a range of roles including Non-executive Director, Chief Executive Officer, Chief Operating Officer and Production Manager, providing a blend of experience from hands-on management through to executive oversight and strategic management.

*Directorships held in other ASX listed companies in the last three years: Nil*

DIRECTORS' REPORT

---

**Corey Nolan**

*Non-executive Director*

Mr Nolan (BCom, MMEE, Graduate of AICD) has twenty years of diverse experience in the resources sector. This has included experience in mining operations, global resource evaluation, and the financing and development of new opportunities in Australia, South Africa, Asia and South America.

Mr Nolan is a qualified mineral economist. He has held specialist roles as an equities analyst in the mining and natural resources sector of stock broking firms Morgan Stanley and Wilson HTM. During this period, he undertook detailed coverage of the Australian and global resources sector including the commodities market.

Mr Nolan has been a Director at PWC in the corporate finance and valuations practice, specialising in resources industry valuations for Australian and global resources firms.

*Directorships held in other ASX listed companies in the last three years:* Leyshon Resources Limited.

**Richard Seville (appointed 14 October 2013)**

*Non-executive Director*

Mr Seville (BSc, MEngSc, MAusIMM, ARSM) is a mining geologist and geotechnical engineer with thirty years' experience in exploration, mine development and operations. He also has significant corporate experience, in the roles of Chief Executive Officer and Operations Director in ASX/AIM listed mining companies.

*Directorships held in other ASX listed companies in the last three years:* Leyshon Resources Limited and Orocobre Limited.

The relevant interest of each director held directly or indirectly in shares and options issued by the Company at the date of this report is as follows:

Directors	Shares	Unlisted Options
C Treacy	22,750,004	6,200,000
C Nolan	1,047,372	3,300,000
R Seville	16,981,177	-

## DIRECTORS' REPORT

---

### Remuneration Report (Audited)

This report details the nature and amount of remuneration for each director and other key management personnel.

The Group's remuneration policy seeks to align director and executive objectives with those of shareholders and business, while at the same time, recognising the early development stage of the Group and the criticality of funds being utilised to achieve development objectives. The board believes the current policy has been appropriate and effective in achieving a balance of these objectives.

The remuneration structure for executives is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Group.

The Group's policy for determining the nature and amount of remuneration of board members and key executives is set out below.

The executives receive payments provided for under an employment agreement, which may include cash, superannuation, short-term incentives, and equity based performance remuneration.

Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. Individuals may elect to salary sacrifice part of their fees as increased payments towards superannuation. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting and is not linked to the performance of the Group. However, to align directors' interests with shareholder interests, directors are encouraged to hold equity interests in the Group. The maximum aggregate amount of fees that can be paid to non-executive directors approved by shareholders is currently \$250,000. One-third, by number, of non-executive directors retires by rotation at the Company's Annual General Meeting. Retiring directors are eligible for re-election by shareholders at the Annual General Meeting of the Company.

The Group's remuneration policy provides for long-term incentives to be offered through a director and employee share option plan. Options were granted under these plans during current financial year to align directors', executives', employees' and shareholders' interests. The Group does not remunerate any key management personnel with securities that are not performance based.

The board of directors is responsible for determining and reviewing the Group's remuneration policy, remuneration levels and performance of both executive and non-executive directors. Independent external advice will be sought when required. No independent external advice was sought during the current year.

The board is presently reassessing the remuneration policy to ensure it incorporates appropriate elements given the Group's status and planned activities. Through this review process, the directors aim to provide clearer and more manageable performance criteria for remuneration incentives including the issue of employee and executive options, while also securing greater loyalty from key employees and executives, reducing administration costs and the regulatory burden on the Group.

DIRECTORS' REPORT

**Performance-Based Remuneration**

Performance-based remuneration includes both short-term and long-term incentives and is designed to reward key management personnel for reaching or exceeding specific objectives or as recognition for strong individual performance. Short-term incentives are available to eligible staff of the Group and are comprised of cash bonuses, determined on a discretionary basis by the chief executive officer and the board. No short-term incentives were made available during the year.

Long-term incentives are comprised of share options, which are granted from time-to-time to encourage sustained strong performance in the realisation of strategic outcomes and growth in shareholder value.

The exercise price of the options is determined after taking into account the underlying share price performance in the period leading up to the date of grant and if applicable, performance conditions attached to the share options. Subject to specific vesting conditions, each option is convertible into one ordinary share.

The names of key management personnel of Rockwell Minerals Limited prior to the merger or Elementos Limited subsequent to the merger who have held office during the financial year are:

Calvin Treacy	Managing Director - Executive - continuing Director Rockwell Minerals Limited and appointed 14 October 2013 Elementos Limited
Corey Nolan	Director - Non-executive – appointed 15 November 2013 Rockwell Minerals Limited and continuing Director Elementos Limited
Richard Seville	Director - Non-executive - appointed 15 November 2013 Rockwell Minerals Limited and 14 October 2013 Elementos Limited
Mike Adams	Director Non-executive – resigned 16 November 2013 Rockwell Minerals Limited
Chris Dunks	Director Non-executive – resigned 16 November 2013 Rockwell Minerals Limited
Richard Trevillion	Director Non-executive – appointed 10 October 2012 Rockwell Minerals Limited, resigned 22 July 2013

The name of key management personnel of Elementos Limited prior to the merger and who are not key management personnel of Elementos Limited subsequent to the merger are:

A Anthony McLellan	Chairman – Non-executive – resigned 14 October 2013 Elementos Limited
James Calaway	Director – Non-executive – resigned 14 October 2013 Elementos Limited

**ELEMENTOS LIMITED**  
ABN 49 138 468 756

**DIRECTORS' REPORT**

***Remuneration Details of Key Management Personnel***

The remuneration of the key management personnel of Rockwell Minerals Limited prior to the merger, and Elementos Limited subsequent to the merger, was as follows:

**Year Ended 30 June 2014**

Key Management Personnel	Short Term Benefits		Equity Settled Shares (\$)	Equity Settled Options (\$)	Post Employment Super-annuation (\$)	Total (\$)
	Salary and Fees (\$)	Bonuses (\$)				
C Treacy	102,644	-	50,000	42,780	9,494	204,918
C Nolan	67,173	-	-	-	6,213	73,386
R Seville (appointed 14 October 2013)	28,602	-	-	-	2,646	31,248
C Dunks (resigned 16 November 2013)	-	-	50,000	-	-	50,000
M Adams (resigned 16 November 2013)	-	-	50,000	-	-	50,000
R Trevillion (resigned 22 July 2013)	-	-	50,000	-	-	50,000
	198,419	-	200,000	42,780	18,353	459,552

**Year Ended 30 June 2013**

Key Management Personnel	Short Term Benefits		Equity Settled Shares (\$)	Equity Settled Options (\$)	Post Employment Super-annuation (\$)	Total (\$)
	Salary and Fees (\$)	Bonuses (\$)				
C Treacy	63,000	-	-	-	5,670	68,670
M Adams	-	-	-	-	-	-
C Dunks	-	-	-	-	-	-
R Trevillion (Appointed 10 October 2012)	-	-	-	-	-	-
	63,000	-	-	-	5,670	68,670

**ELEMENTOS LIMITED**  
ABN 49 138 468 756

**DIRECTORS' REPORT**

The remuneration of key management personnel of Elementos Limited prior to the merger was as follows:

**Year Ended 30 June 2014**

Key Management Personnel	Short Term Benefits		Equity Settled Shares (\$)	Equity Settled Options (\$)	Post Employment Super-annuation (\$)	Total (\$)
	Salary and Fees (\$)	Bonuses (\$)				
C Nolan	50,000	-	-	-	4,625	54,625
A Anthony McLellan	72,456	-	-	-	6,630	79,086
J Calaway	11,534	-	-	-	-	11,534
M McCauley	3,990	-	-	-	369	4,359
	137,980	-	-	-	11,624	149,604

**Year Ended 30 June 2013**

Key Management Personnel	Short Term Benefits		Equity Settled Shares (\$)	Equity Settled Options (\$)	Post Employment Super-annuation (\$)	Total (\$)
	Salary and Fees (\$)	Bonuses (\$)				
A A McLellan	119,000	-	-	2,274	10,710	131,984
C Nolan	228,475	-	-	2,599	21,833	252,907
M D McCauley (resigned 06/08/13)	40,000	-	-	1,137	3,600	44,737
J D Calaway	40,000	-	-	1,624	-	41,624
A Grahame (redundant 07/02/13)	157,840	-	-	2,055	11,297	171,192
	585,315	-	-	9,689	47,440	642,444

Following are employment details of persons who were key management personnel of the Group during the financial year:

Key Management Personnel	Position Held	Contract Details	Proportion of Remuneration	
			Equity Based	Salary and Wages
C Treacy	Managing Director	No fixed term, 3 months notice to terminate	45.28%	54.72%
C Nolan	Non-executive Director	No fixed term, termination as provided by Corporations Act	0.00%	100.00%
R Seville	Non-executive Director	No fixed term, termination as provided by Corporations Act	0.00%	100.00%

DIRECTORS' REPORT

**Options Granted as Remuneration**

Remuneration options granted during the current year are summarised below.

All options were granted for nil consideration. Options granted do not convey dividend or voting rights and each option converts into one ordinary share in the Company.

**Year Ended 30 June 2014**

Key Management Personnel	Number Vested	Number Granted	Grant Date	Value at Grant Date		Terms and Conditions of Grant		
				Per Option	Total	Exercise Price	First Exercise Date	Last Exercise Date
C Treacy	6,200,000	6,200,000	20/3/14	0.69 cents	42,780	3 cents	20/3/14	20/3/18

No remuneration options were exercised during the year. There have not been any changes to the terms and conditions of any options since grant date.

**Employment Contract of Executives**

The contract for service between the Company and the managing director was executed in October 2013. It does not provide for a fixed term of employment but provides for annual review of the compensation value.

In the case of serious misconduct, the Company may terminate employment of any executive at any time.

The terms of appointment of the non-executive directors provide for the payment of fixed directors' fees and consulting fees for services provided in addition to their commitment as directors.

**Company Performance, Shareholder Wealth, and Director and Executive Remuneration**

During the financial year, the Company has generated losses as its principal activity was mineral exploration.

The following table shows the share price of the Company since incorporation in 2011.

	30 June 2014	30 June 2013	30 June 2012	30 June 2011
Share Price at year end (\$)	0.02	0.015	0.079	.225

As the Company is still in the exploration and development stage, the link between remuneration, company performance and shareholder wealth is tenuous. Share prices are subject to the influence of metal prices and market sentiment towards the sector, and as such, increases and decreases might occur independent of executive performance and remuneration.

DIRECTORS' REPORT

**Options Held by Key Management Personnel**

Details of options held directly, indirectly or beneficially by key management personnel are as follows:

Key Management Personnel	Balance at 1 July 2013	Granted as Compensation	Exercised	Other Changes	Balance at 30 June 2014	Total Vested 30 June 2014	Total Vested and Exercised 30 June 2014
C Treacy	-	6,200,000	-	-	6,200,000	6,200,000	6,200,000
C Nolan	3,300,000	-	-	-	3,300,000	3,300,000	3,300,000
R Seville	-	-	-	-	-	-	-
C Dunks	-	-	-	-	-	-	-
M Adams	-	-	-	-	-	-	-
R Trevillion	-	-	-	-	-	-	-
A A McLellan	2,700,000	-	-	(2,700,000)	-	-	-
J Calaway	1,500,000	-	-	(1,500,000)	-	-	-
M McCauley	850,000	-	-	(850,000)	-	-	-
	8,350,000	6,200,000	-	(5,050,000)	9,500,000	9,500,000	9,500,000

**Shares Held by Key Management Personnel**

Details of shares held directly, indirectly or beneficially by key management personnel are as follows:

Key Management Personnel	Balance at 1 July 2013	Granted as Compensation	Received on Exercise of Options	Other Changes	Balance at 30 June 2014
C Treacy	-	-	-	22,750,004	22,750,004
C Nolan	264,215	783,157	-	-	1,047,372
R Seville	15,700,072	1,281,105	-	-	16,981,177
C Dunks	-	-	-	-	-
M Adams	-	-	-	-	-
R Trevillion	-	-	-	-	-
A A McLellan	3,428,976	-	-	(3,428,976)	-
J Calaway	43,958,674	-	-	(43,958,674)	-
M McCauley	789,720	-	-	(789,720)	-
	64,141,657	2,064,262	-	(25,427,366)	40,778,553

This is the end of the Remuneration Report.

## DIRECTORS' REPORT

### Dividends

No dividend has been proposed or paid since the start of the financial year.

### Options

At the date of this report, the unissued ordinary shares of the Company under options are as follows:

#### Unlisted Options

Grant Date	Expiry Date	Exercise Price	No. Under Option
23 October 2009	23 October 2015	\$0.226(i)	4,500,000
7 September 2010	7 September 2015	\$0.226 (i)	550,000
30 November 2010	29 November 2015	\$0.226 (i)	500,000
28 March 2011	18 January 2017	\$0.326(i)	1,000,000
4 December 2012	3 December 2016	\$0.06 (i)	200,000
8 February 2013	20 January 2017	\$0.06 (i)	2,350,000
20 March 2014	20 March 2018	\$0.03 (i)	9,300,000

- (i) The Trust Deeds relating to the grant of these options provides for a reduction in the option exercise price where the Company undertakes a pro-rata issue of securities. The reduction in exercise price is calculated in accordance with the formula provided in the ASX Listing Rules.

There have been no unissued shares or interests under option of any controlled entity within the economic entity during or since reporting date. Option holders do not have any rights to participate in any share issue or other interests in the Company or any other entity.

### Subsequent Events

There are no matters or circumstances that have arisen since the end of the year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Subsequent to year end, the Group completed a rights issue, raising \$1.53 million (127,502,634 shares).

Subsequent to year end, the Group's Chilean subsidiary was officially closed down. There will be no material effect on the financial accounts, as the Group's Tamaya project was fully written off in the 2014 year.

### Environmental Issues

The Group is subject to significant environmental regulations under the laws of the Commonwealth of Australia and states of Australia in which the Group operates. The Group is also subject to environmental regulation in relation to its exploration activities in Chile and Argentina.

## DIRECTORS' REPORT

---

The directors monitor the Group's compliance with environmental obligations. The directors are not aware of any compliance breach arising during the year and up to the date of this report.

### Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Elementos Limited support and, where practicable or appropriate, have adhered to the ASX Principles of Corporate Governance. The Company's corporate governance statement is contained within this annual report.

### Indemnifying Directors and Auditors

The Company has entered into a Deed with each of the directors whereby the Company has agreed to provide certain indemnities to each director to the extent permitted by the Corporations Act and to use its best endeavours to obtain and maintain directors' and officers' indemnity insurance, subject to such insurance being available at reasonable commercial terms.

The economic entity has paid premiums to insure each of the directors of the Company against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The contracts include a prohibition on disclosure of the premium paid and nature of the liabilities covered under the policy.

The Company has not given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums in respect of any person who is or has been an auditor of the Company or a related entity during the year and up to the date of this report.

### Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

DIRECTORS' REPORT

---

**Non-Audit Services**

The board of directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- (a) all non-audit services are reviewed and approved by the board of directors to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- (b) the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to the auditors for non-audit services provided during the financial year:

Paid to BDO Audit Pty Ltd and its related entities	<u>\$ 7,500</u>
Total paid to the auditors for non-audit services	<u>\$ 7,500</u>

**Auditor's Independence Declaration**

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is attached to this financial report.

Signed in accordance with a resolution of the board of directors.



**C Treacy**

**Managing Director**

Dated this 30th September 2014

Brisbane, Queensland

## **DECLARATION OF INDEPENDENCE BY ANTHONY WHYTE TO DIRECTORS OF ELEMENTOS LIMITED**

As lead auditor of Elementos Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Elementos Limited and the entities it controlled during the period.



**BDO Audit Pty Ltd**

**A J Whyte**

Director

Brisbane, 30 September 2014

## CORPORATE GOVERNANCE STATEMENT

---

### ASX Corporate Governance Principles and Recommendations

Elementos Limited ("Elementos" or the "Company") is committed to implementing sound corporate governance practices. In order to set appropriate corporate governance standards, the Company has used the reporting recommendations set out by the Australian Securities Exchange (ASX) Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles and Recommendations). These have been categorised into eight core principles.

While seeking to implement sound corporate governance practices, the Company recognises that not all the recommendations are applicable to the Company due to its current size, the nature of its operations, and its stage of development. Where the Company has not fully adopted the relevant recommendation, the reasons are set out below.

#### PRINCIPLE 1 - LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Pursuant to Principle 1, the Company has established the functions reserved to the board and established the functions delegated to the managing director. The board's role is to govern the Company rather than to manage it, representing the interests of all shareholders. In governing the Company, the directors are required to act in the best interests of the Company as a whole. It is the role of the managing director to manage the Company in accordance with the direction and delegations of the board and it is the responsibility of the board to oversee the activities of the managing director in carrying out these delegated duties.

*1.1 Companies should establish the functions reserved for the board and those delegated to the senior executives and disclose those functions.*

The Company has developed a Statement of matters reserved for the board which sets out the role and responsibilities of the board, a summary of which is as follows:

- provide leadership to the Company;
- oversee the development and implementation of an appropriate strategy;
- oversee planning activities including the development and approval of strategic plans, annual corporate budgets and long-term budgets including operating budgets, capital expenditure budgets and cash flow forecasts;
- review the progress and performance of the Company in meeting these plans and corporate objectives, including reporting the outcome of such reviews on at least an annual basis;
- ensure corporate accountability to the shareholders, primarily through effective shareholder communications;
- oversee the control and accountability systems to ensure the Company is progressing towards the goals set by the board and in line with the Company's purpose, the agreed corporate strategy, legislative requirements and community expectations;
- ensure that robust and effective risk management, compliance and control systems (including legal compliance) are in place and operating effectively;
- appoint the managing director and review the delegation to, and performance of, the Company's senior executives; and

## CORPORATE GOVERNANCE STATEMENT

---

- make all decisions outside the scope of powers delegated to senior management.

In general, the board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company, which includes supervising the Company's framework of control and accountability systems to enable risk to be assessed and managed.

The board convenes regular meetings with such frequency sufficient to discharge its responsibilities appropriately.

The board has delegated powers to the managing director necessary to carry out the business of the Company effectively and efficiently.

Newly appointed directors are provided with formal appointment letters setting out the key terms and conditions regarding their appointment. Similarly, senior executives (including the managing director) are provided with formal appointment letters making clear their responsibilities, remuneration, appointment term, and entitlements on termination.

### *1.2 Companies should disclose the process for evaluating the performance of senior executives*

The remuneration structure for executive officers is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of Elementos.

Senior executives' performance is reviewed against a range of quantitative and qualitative measures and past performance of Elementos as well as of the individual, and market practice with respect to comparable positions are taken into account.

The non-executive directors are responsible for evaluating regularly the managing director's performance. This evaluation is based on the Company's business performance and whether strategic objectives are being achieved. The managing director reviews other executives' and staff performance. Performance pay components of executives' packages are dependent on the outcome of the evaluations. The results of the managing director's annual performance reviews of senior executives and staff are reported to the board for information.

### *1.3 Reporting on Principle 1*

Details of the functions reserved for the board and delegated to the managing director are outlined in the Company's Board Governance Protocols, and available on the Company's website at [www.elementos.com.au](http://www.elementos.com.au).

## **PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE**

Pursuant to Principle 2, the board should be of a size, composition and have the level of commitment to adequately discharge its responsibilities and duties. To add value to the Company, given the size and operations of the Company, the board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties.

The Elementos board is comprised of three directors (as at the date of this Annual Report) that have wide-ranging experience in the mineral exploration and mining

## CORPORATE GOVERNANCE STATEMENT

---

sector and a diverse skill set which is detailed in the Directors' Report in this Annual Report along with details of the directors, period of office, their qualifications and experience.

### *2.1 A majority of the board should be independent directors*

As at the date of this report, the board comprises one Executive Director, Mr Calvin Treacy, who is the Managing Director and is not independent because he is employed in an executive capacity. There are two Non-executive Directors: Mr C Nolan and Mr R Seville. The Non-executive Directors meet the criteria for independence proposed by the ASX Principles and Recommendations.

While determining the independent status of directors, the board has considered whether the director:

- holds less than five percent of the voting shares of the Company (in conjunction with their associates), or is an officer of the Company, or otherwise associated directly with a shareholder of more than five percent of the voting shares of the Company;
- has within the last three years, been employed in an executive capacity by the Company or another group member;
- has within the last three years been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided. In this context, the relationship with the professional adviser or consultant shall be deemed to be material if payments from the Company exceed 10% of the Company's annual expenditure to all professionals and consultants or exceed 10% of the recipient's annual revenue for advisory or consultancy services;
- is a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer. In this context, the relationship with the supplier or customer shall be deemed to be material if annual payments to or from that supplier or customer exceed 10% of the annual consolidated gross revenue of either the Company or that supplier or customer; and
- has a material contractual relationship with the Company or other group member other than as a director of the Company.

### *2.2 The chairperson should be an independent director*

The Directors consider that the board is not of a size to have a chairperson.

### *2.3 The roles of the Chairperson and Chief Executive Officer should not be exercised by the same person*

The Directors consider that the board is not of a size to have a chairperson.

### *2.4 The board should establish a nomination committee*

The Directors consider that the Company is not of a size and that its affairs are of such complexity as to justify the formation of special or separate committees.

## CORPORATE GOVERNANCE STATEMENT

---

*2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors*

The board considers the evaluation of its directors and senior executive performance as fundamental to establishing a culture of performance and accountability. The chairman undertakes a review of the board and individual director's performance at least once a year at a meeting of the board. The board evaluated its performance and the directors' individual performance in relation to goals set at the time of the board's annual strategic planning session.

The chairman provides each non-executive director with confidential feedback on his or her performance. The board does not endorse the re-appointment of a director who is not performing the role satisfactorily.

The Directors consider that the Company is not of a size and that its affairs are of such complexity as to justify the formation of special or separate committees.

### *Induction and Education*

New directors will undergo an induction process in which they will be given a full briefing on the Company. Where possible, this will include meetings with key executives, a tour of the premises, an induction package and presentations. Information conveyed to new directors will include:

- details of the roles and responsibilities of directors;
- formal policies on director appointment;
- outline of all relevant legal requirements including:
  - Corporations Act;
  - Tax Office requirements; and
  - other major statutory bodies;
- a copy of the Board Governance Protocols;
- guidelines on board processes;
- details of past, recent and likely future developments relating to the board, including anticipated regulatory changes;
- background information on and contact information for key people in the organisation including an outline of their roles and capabilities;
- an analysis of the Company including:
  - core competencies of the Company;
  - an industry background briefing;
  - a recent competitor analysis;
  - details of past financial performance;
  - current financial structure; and
  - any other important operating information;
- a synopsis of the current strategic direction of the Company including a copy of the current strategic plan and annual budget;
- a copy of the Constitution of the Company; and
- Director's Deed of Indemnity and Right of Access to Documents, if applicable.

## CORPORATE GOVERNANCE STATEMENT

---

In order to achieve continuing improvement in board performance, all directors are encouraged to undergo continual professional development.

### *Access to information and Independent Professional Advice*

Each director has the right of access to all Company information and to the Company's executives. Further, the board collectively and each director, subject to the approval of the Chairman, has the right to seek independent professional advice from a suitably qualified advisor, at the Company's expense, to assist them to carry out their responsibilities. A copy of this advice is to be made available to all other members of the board.

### *2.6 Reporting on Principle 2*

The board assesses the necessary competencies of the board, reviews board succession plans, and develops policies and processes for evaluation of the Board and the nomination, appointment and re-election of directors. These responsibilities, as set out in the board Governance Protocols, are carried out by the board rather than a separate nomination committee.

The Company's Constitution provides that directors are subject to retirement by rotation, by order of length of appointment. Retiring directors are eligible for re-election by shareholders at the Annual General Meeting of the Company.

## **PRINCIPLE 3 - PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING**

Principle 3 is to actively promote ethical and responsible decision-making.

### *3.1 Companies should establish a code of conduct and disclose the code or a summary of the code*

The Company acknowledges that the community expects businesses to be aware of their wider social obligations and to promote practices to maintain confidence in the Company's integrity. The Elementos board requires high standards of conduct and responsibility from directors, senior executives and employees at all times. As part of its commitment to recognising the expectations of their stakeholders, the Company has established a Code of Ethics and Conduct for directors and employees within its board Governance Protocols to guide compliance with legal and other obligations to stakeholders, which include employees, clients, customers, government authorities, creditors and the community. Directors are required to adhere to industry standards in conduct and dealings and promote a culture of honesty, fairness and ethical behaviour into its internal compliance policy and procedures as well as dealing with stakeholders.

The board also requires the Company's employees and consultants, to have similar high standards who are expected to adhere to industry standards in their conduct and dealings, including trading in securities. The Elementos board has built the promotion of a culture of honesty, fairness and ethical behaviour into its internal compliance policy and procedures.

A copy of the Code of Ethics and Conduct is given to contractors and relevant personnel, including directors and each individual is accountable for such compliance. Any breach of applicable laws, accepted ethical commercial practices or other aspects of the Code of Ethics and Conduct will result in disciplinary action.

## CORPORATE GOVERNANCE STATEMENT

---

Depending on the severity of the breach, such disciplinary action may include reprimand, formal warning, demotion or termination of employment/engagement (as the case may be). Similar disciplinary action may be taken against any manager who directly approves of such action or has knowledge of the action and does not take appropriate remedial action.

Breach of applicable laws or regulations may also result in prosecution by the appropriate authorities.

The Company will not pay, directly or indirectly, any penalties imposed on personnel as a result of a breach of law or regulation.

Personnel are expected to report any instances of suspected non-compliance and investigate reports of unethical practices. These instances will be investigated fairly. Individuals who report suspected non-compliance in good faith will be appropriately protected.

### Company Securities Trading Policy

The Company has a Securities Trading Policy pursuant to ASX Listing Rule 12.9. According to this policy, all directors, senior executives, employees, contractors and consultants, whilst in possession of material, non-public, market price sensitive information, are subject to three restrictions:

- they must not deal in securities where they are in possession of inside information;
- they must not cause or procure anyone else to deal in those securities; and
- they must not communicate the information to any person if they know or ought to know that the other person will use the information, directly or indirectly, for dealings in securities.

Directors, senior executives, employees, contractors and consultants are required to advise the chairman and company secretary of their intentions prior to undertaking any transaction in the Company's securities. If a director, senior executive, employee, contractor or consultant is considered to possess material, non-public, market price sensitive information, they will be precluded from making a security transaction until after the time of public release of that information.

The Securities Trading Policy is available on the Company's website.

### *3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy*

The Diversity Policy is a commitment by the Company to actively seek to maintain a diverse workforce to create a workplace that is fair and inclusive, applies fair and equitable employment practices and provides a working environment that will allow all employees to reach their full potential.

### *3.3 Companies should disclose in each Annual Report the measurable objectives for achieving gender diversity set by the board in accordance with the Diversity Policy and progress towards achieving them*

The Company is of the view that any measurable statistical objectives on a diverse workforce must be fit for purpose, in line with the Company strategic objectives and ensure the Company is in compliance with all relevant legislative requirements. As at the date of this Annual Report, the Company is of the opinion that measurable

## CORPORATE GOVERNANCE STATEMENT

---

objectives are not appropriate at its present stage of development, however, the Company will consider implementation of measurable objectives in future.

*3.4 Companies should disclose in each Annual Report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board*

Due to the size and scale of operations of the Company, the board believes that a longer term gender diversity objective is more appropriate.

As at the date of this Annual Report, 0% of board, 29% of employees and 30% of senior executives are women.

### *3.5 Reporting on Principle 3*

The Code of Ethics and Conduct is available on the Company's website. The Securities Trading Policies, incorporated in the Board Governance Protocols manual, is also available on the Company's website under Corporate Governance.

## **PRINCIPLE 4 - SAFEGUARD INTEGRITY IN FINANCIAL REPORTING**

Principle 4 is to have a structure of review and authorisation in place which independently verifies and safeguards the integrity of the Company's financial reports. The compilation and timely disclosure of accurate and true and fair information about the Company's financial position and performance is vital for the integrity of the market in the Company's securities.

Elementos has established a structure of reporting and oversight to achieve these objectives.

### *4.1 The board should establish an audit committee*

The Directors consider that the Company is not of a size and that its affairs are of such complexity as to justify the formation of special or separate committees.

## **PRINCIPLE 5 - MAKE TIMELY AND BALANCED DISCLOSURE**

Pursuant to Principle, 5 listed companies should make timely and balanced disclosure to the ASX of all material information concerning the Company.

The Elementos board has adopted a policy and rules to ensure the Company complies with its obligations under the ASX Listing Rules on continuous disclosure and ensures accountability at a senior executive level for that compliance. The board has designated the managing director as the person responsible for overseeing and co-ordinating disclosure of information to the ASX as well as communicating with the ASX.

In accordance with the ASX Listing Rules, the Company immediately notifies the ASX of information:

- concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's shares; and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose the Company's shares.

Such matters are advised to the ASX immediately they are identified as being material. Upon confirmation of receipt from the ASX, the Company posts all information disclosed in accordance with this policy on its website under the Investors section and then Announcements.

## CORPORATE GOVERNANCE STATEMENT

---

Elementos has established Continuous Disclosure Policies.

### *5.2 Reporting on Principle 5*

A summary of the Company's policy for media contact and external communications is outlined in the Board Governance Protocols manual.

In addition, the Company's Continuous Disclosure Policies are incorporated in the Board Governance Protocols, which is available on the Company's website under Corporate Governance.

## **PRINCIPLE 6 - RESPECT THE RIGHTS OF SHAREHOLDERS**

Pursuant to Principle 6, companies should design a communications policy to promote effective communication with shareholders.

### *6.1 Communications policy*

The Elementos board respects the rights of its shareholders, and to facilitate the effective exercise of those rights it has adopted a policy on communication with shareholders, and implemented a set of processes to ensure timely and effective communication with shareholders and the wider investment community. The Company is committed to:

- communicating effectively with shareholders through releases to the market via ASX, the Company's website, information mailed to shareholders, and the general meetings of the Company;
- giving shareholders ready access to balanced and understandable information about the Company and its corporate proposals;
- making it easy for shareholders to participate in general meetings of the Company and ask questions regarding the conduct of audit and about the functioning of the Company generally; and
- making it possible for shareholders to receive communication by electronic means.

### *6.2 Reporting on Principle 6*

A summary of the Company's policy for media contact and external communications is outlined in the Board Governance Protocols manual, available on the Company's website under Corporate Governance.

## **PRINCIPLE 7 - RECOGNISE AND MANAGE RISK**

Principle 7 provides that companies should establish a sound system of risk oversight and effective management and internal control.

### *7.1 Risk Management and Internal Control System*

The primary objectives of the risk management and internal control system at the Company are to ensure:

- all major sources of potential, opportunity for and harm to the Company (both existing and potential) are identified, analysed and treated appropriately;
- business decisions throughout the Company appropriately balance the risk and reward trade off;
- regulatory compliance and integrity in reporting is achieved; and

## CORPORATE GOVERNANCE STATEMENT

---

- the board, senior executives and investors understand the risk profile of the Company.

The system covers:

- operations risk;
- financial reporting; and
- compliance.

Any matters of significance to the Company or materially relevant to its assets, liabilities or profits are signed off by the board after discussion and evaluation of submissions made by the managing director or other party.

Some of the Company's key assets are located outside Australia. Control over the operations is exercised by the managing director. Specific control measures have been implemented to manage the distribution of funds in Chile and Argentina in relation to activities undertaken there.

### *Identifying Significant Business Risks*

The board regularly monitors the operational and financial performance of the Company's activities. The board monitors and receives advice on areas of operation and financial risk and considers strategies for appropriate risk management. All operational and financial strategies adopted are aimed at improving the value of the Company. However, the directors recognise that mineral exploration and evaluation is inherently risky.

### *7.2 Report on risk management and internal control system*

The board has required the managing director to design and implement the risk management and internal control systems to manage the Company's material business risks. As required by the board, the managing director has reported to the board that the Company's material business risks have been managed effectively.

The managing director reviews risk in response to changing business conditions and regulations. Regular reviews of risk and a regular update of the risk profile is undertaken by the board. This normally occurs in conjunction with the strategic planning process. The board oversees the internal audit process that analyses and appraises the adequacy and effectiveness of the Company's risk management and internal control system. The internal audit function is independent of the external auditor.

### *7.3 Attestation by chief executive officer (or equivalent) and chief financial officer (or equivalent)*

The managing director/CEO and the chief financial officer provide a written assurance that the risk management system is effective, efficient and accurately reflected in the Company's financial statements and that:

- the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control ; and
- the Company's risk management and internal control system is operating effectively in all material respects in relation to financial reporting risks.

## CORPORATE GOVERNANCE STATEMENT

---

### *7.4 Reporting on Principle 7*

The Company's risk management, internal compliance, and control system policies that have been established to manage material business risks are discussed with the board, senior executives, management and other employees. The Company envisages disclosing a summary of these policies on its website in future.

### **PRINCIPLE 8 - REMUNERATE FAIRLY AND RESPONSIBLY**

Principle 8 provides that companies should ensure the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined. Elementos is committed to remunerating its directors and officers in a manner that is market competitive, consistent with best practice, and in the interests of shareholders.

#### *8.1 The board should establish a remuneration committee*

The Directors consider that the Company is not of a size and that its affairs are of such complexity as to justify the formation of special or separate committees.

#### *8.2 Structure of Non-executive and Executive Director Remuneration*

The remuneration structure for executives, including the managing director, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company. The remuneration policy, setting the terms and conditions for the managing director was developed and approved by non-executive directors. The managing director, and other senior executives receive a base salary, superannuation, fringe benefits and equity-based performance remuneration. Superannuation payments consist of payments in accordance with the provisions of the Superannuation Guarantee Scheme legislation. Individuals may elect to salary sacrifice part of their salary to increased payments towards superannuation. No other form of retirement benefit is paid.

The board's policy is to remunerate non-executive directors at market rates for comparable companies, having regard to the time commitment and responsibilities. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders, and is not linked to the performance of the Company. However, to align director's interests with shareholder interests, directors are encouraged to hold equity interests in the Company. The maximum aggregate amount of fees that can be paid to non-executive directors approved by shareholders is currently \$250,000.

The Company's remuneration policy provides for long-term incentives through participation in the Company's Employee and Officers Share Option Plan. Any equity based remuneration proposed to be granted to the managing director will only be granted with shareholder approval.

The Company has prohibited the entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration.

#### *8.3 Reporting on Principle 8*

Details of the Company's remuneration policy are outlined in the Remuneration Report section of the Directors' Report.

ELEMENTOS LIMITED  
ABN 49 138 468 756

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2014**

	Note	30 June 2014	30 June 2013
		\$	\$
Revenue	2	12,641	3,885
Corporate and administrative expenses	3	(1,026,188)	(344,781)
Writeoff of exploration assets	8	(277,473)	-
Listing expenses	19	(200,636)	-
<b>Loss before income tax expense</b>		<b>(1,491,656)</b>	<b>(340,896)</b>
Income tax expense	4	-	-
<b>Loss for the year attributable to members of the parent entity</b>	3	<b>(1,491,656)</b>	<b>(340,896)</b>
<b>Other comprehensive income</b>			
Items that will be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(594,929)	-
<b>Other comprehensive income for the year net of tax</b>		<b>(594,929)</b>	<b>-</b>
<b>Total comprehensive income attributable to members of the parent entity</b>		<b>(2,086,585)</b>	<b>(340,896)</b>
Basic and diluted earnings per share (cents per share)	15	(0.33)	(0.16)

The accompanying notes form part of these financial statements.

ELEMENTOS LIMITED  
ABN 49 138 468 756

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2014

	Note	30 June 2014	30 June 2013
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	682,689	143,733
Trade and other receivables	6	25,527	153,368
Other current assets	7	14,406	18,850
<b>TOTAL CURRENT ASSETS</b>		<b>722,622</b>	<b>315,951</b>
<b>NON-CURRENT ASSETS</b>			
Exploration and evaluation assets	8	6,456,348	2,879,676
Property, plant and equipment	9	36,060	-
Other non-current assets	10	26,047	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>6,518,455</b>	<b>2,879,676</b>
<b>TOTAL ASSETS</b>		<b>7,241,077</b>	<b>3,195,627</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	485,315	342,678
<b>TOTAL CURRENT LIABILITIES</b>		<b>485,315</b>	<b>342,678</b>
<b>TOTAL LIABILITIES</b>		<b>485,315</b>	<b>342,678</b>
<b>NET ASSETS</b>		<b>6,755,762</b>	<b>2,852,949</b>
<b>EQUITY</b>			
Contributed equity	12	10,924,168	4,998,940
Reserves	13	(530,759)	-
Accumulated losses		(3,637,647)	(2,145,991)
<b>TOTAL EQUITY</b>		<b>6,755,762</b>	<b>2,852,949</b>

The accompanying notes form part of these financial statements.

ELEMENTOS LIMITED  
ABN 49 138 468 756

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2014

	Note	Contributed Equity	Accumulated Losses	Share-Based Payments Reserve	Foreign Currency Translation Reserve	Total
		\$	\$	\$	\$	\$
<b>Balance at 30 June 2012</b>		2,796,440	(1,805,095)	-	-	991,345
Loss for the period		-	(340,896)	-	-	(340,896)
Other comprehensive income for the period		-	-	-	-	-
Total comprehensive income		-	(340,896)	-	-	(340,896)
Shares issued during the period	12	2,202,500	-	-	-	2,202,500
<b>Balance at 30 June 2013</b>		<b>4,998,940</b>	<b>(2,145,991)</b>	-	-	<b>2,852,949</b>
Loss for the period		-	(1,491,656)	-	-	(1,491,656)
Other comprehensive income for the period	13	-	-	-	(594,929)	(594,929)
Total comprehensive income		-	(1,491,656)	-	(594,929)	(2,086,585)
Rockwell shares issued prior to merger	12	444,500	-	-	-	444,500
Shares issued due to capital raising	12	2,605,800	-	-	-	2,605,800
Equity settled compensation	12	40,665	-	-	-	40,665
Shares issued other	12	52,308	-	-	-	52,308
Transaction costs	12	(59,794)	-	-	-	(59,794)
Share based payments	19	-	-	64,170	-	64,170
Deemed value of notional merger shares issued	19	2,841,749	-	-	-	2,841,749
<b>Balance at 30 June 2014</b>		<b>10,924,168</b>	<b>(3,637,647)</b>	<b>64,170</b>	<b>(594,929)</b>	<b>6,755,762</b>

The accompanying notes form part of these financial statements.

ELEMENTOS LIMITED  
ABN 49 138 468 756

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2014

	Note	30 June 2014	30 June 2013
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest received		11,141	1,591
Other receipts		1,500	-
Payments to suppliers and employees		(1,088,016)	(165,294)
<b>Net cash provided by/(used in) operating activities</b>	14	<u>(1,075,375)</u>	<u>(163,703)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for exploration and evaluation assets		(1,319,395)	(499,105)
Cash acquired on acquisition of subsidiary		149,056	-
Purchase of property, plant and equipment		(208)	-
<b>Net cash provided by/(used in) investing activities</b>		<u>(1,170,547)</u>	<u>(499,105)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		2,845,300	752,500
Costs associated with share issues		(57,394)	-
<b>Net cash provided by/(used in) financing activities</b>		<u>2,787,906</u>	<u>752,500</u>
<b>Net increase/(decrease) in cash held</b>		541,984	89,692
<b>Cash at Beginning of Year</b>		143,733	54,041
Effect of exchange rates on cash holdings in foreign currencies		(3,028)	-
<b>Cash at End of Year</b>	5	<u>682,689</u>	<u>143,733</u>

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

---

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements are general purpose financial statements that have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards, and other authoritative pronouncements of the Australian Accounting Standards Board. Elementos Limited is a for-profit entity for the purpose of preparing the financial statements. The financial statements are presented in Australian dollars.

Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The financial statements are for the economic entity consisting of Elementos Limited and its Controlled Entities. Elementos Limited is a public company, incorporated and domiciled in Australia. The financial statements have been prepared on an accruals basis and are based on historical cost modified by the measurement at fair value of selected non-current assets, financial assets and liabilities. The financial report was authorised for issue on 30 September 2014 by the directors of the Company.

Separate financial statements for Elementos Limited as an individual entity are no longer presented following a change to the *Corporations Act 2001*. However, financial information required for Elementos Limited as an individual entity is included in Note 25.

Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated.

**Going Concern**

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. The Group has not generated significant revenues from operations. Subsequent to year end, the Group has raised \$1.53 million from the issue of 127,502,634 shares. The Group's ability to continue to adopt the going concern assumption will depend upon a number of matters including subsequent successful raising in the future of necessary funding and the successful exploration and subsequent exploitation of the Group's tenements. In the absence of these matters being successful, there exists a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern with the result that the Group may have to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts different from those stated in the financial statements. No adjustments for such circumstances have been made in the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

---

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)****Acquisition of Rockwell Minerals Ltd and its Controlled Entities**

During the year, Rockwell Minerals Limited's original shareholders obtained a majority share interest in Elementos Limited after the merger transaction. This transaction did not meet the definition of a business combination in Australian Accounting Standard AASB3 *Business Combinations*. The transaction has therefore been accounted for in the consolidated financial statements in accordance with Australian Accounting Standard AASB2 *Share-based Payment* and has been accounted for as a continuation of the financial statements of Rockwell Minerals Limited together with a deemed issue of shares, equivalent to the shares held by the former shareholders of Elementos Limited. The deemed issue of shares is, in effect, a share-based payment transaction whereby Rockwell Minerals Limited is deemed to have received the net assets of Elementos Limited, together with the listing status of Elementos Limited. The overall accounting effect is very similar to that of a reverse acquisition in AASB3.

Because the consolidated financial statements represent a continuation of the financial statements of Rockwell Minerals Limited, the principles and guidance on the preparation and presentation of the consolidated financial statements in a reverse acquisition set out in AASB 3 have been applied:

- fair value adjustments arising at acquisition were made to Elementos Limited assets and liabilities, not those of Rockwell Minerals Limited;
- the cost of the acquisition and the amount recognised as issued capital to affect the transaction is based on the notional amount of shares that Rockwell Minerals Limited would have needed to issue Elementos Limited shareholders, for them to hold the same shareholding percentage in Rockwell Minerals Limited as they have in the Group post the actual transaction;
- accumulated losses and other equity balances in the consolidated financial statements at acquisition date are those of Rockwell Minerals Limited;
- a share-based payment transaction arises whereby Rockwell Minerals Limited is deemed to have issued shares in exchange for the net assets of Elementos Limited (together with the listing status of Elementos Limited). The listing status does not qualify for recognition as an intangible asset and has therefore been expensed in profit or loss as a listing expense;
- the equity structure in the consolidated financial statements (the number and type of equity instruments issued) at the date of the acquisition reflects the equity structure of Elementos Limited, including the equity instruments issued to effect the acquisition;
- the results for the year ended 30 June 2014 comprise the consolidated results for the year of Rockwell Minerals Limited together with the results of Elementos Limited from the acquisition date, being 14 October 2013; and
- the comparatives represent the consolidated comparatives of Rockwell Minerals Limited only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

---

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)**

**Principles of Consolidation**

*Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Elementos Limited ("Company" or "parent entity") as at 30 June 2014, and the results of all subsidiaries for the year then ended. Elementos Limited and its subsidiaries together are referred to in these financial statements as the Group or the economic entity.

The names of the subsidiaries are contained in Note 23. All subsidiaries have a 30 June financial year end and are accounted for by the parent entity at cost.

Subsidiaries are all entities over which the Group has control. The Group has control over an entity when the Group is exposed to, or has a right to, variable returns from its involvement with the entity, and has the ability to use its power to affect those returns.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

*Changes in ownership interests*

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in the carrying amount recognised in the profit or loss.

The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the profit or loss.

**Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

---

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)**

**Income Tax**

The income tax expense/(income) for the year comprises current income tax expense/(income) and deferred tax expense/(income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities/(assets) are therefore measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the period as well unused tax losses.

Current and deferred income tax expense/(income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

---

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)**

**Business Combinations**

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair value of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014**

---

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)**

**Exploration and Evaluation Assets**

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure but do not include overheads or administration expenditure not having a specific nexus with a particular area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active or significant operations in relation to the area are continuing.

A regular review has been undertaken on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

A provision is raised against exploration and evaluation assets where the directors are of the opinion that the carried forward net cost may not be recoverable or the right of tenure in the area lapses. The increase in the provision is charged against the results for the year. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

**Restoration Costs**

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the exploration and mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted for on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

The economic entity currently has no obligation for any restoration costs in relation to discontinued operations, nor is it currently liable for any future restoration costs in relation to current areas of interest. Consequently, no provision for restoration has been deemed necessary.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014**

---

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)****Impairment of Assets**

At each reporting date, the economic entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the profit or loss.

**Financial Instruments***Recognition and Initial Measurement*

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately.

*Derecognition*

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

*Classification and Subsequent Measurement*

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost.

*Fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

*Amortised cost* is calculated as:

- (a) the amount at which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments;
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- (d) less any reduction for impairment.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014**

---

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)****Financial Instruments (cont)**

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The economic entity does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

*Financial Liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

*Impairment*

At each reporting date, the economic entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the profit or loss.

**Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of less than 3 months.

**Issued Capital**

Ordinary shares are classified as equity. Transaction costs (net of tax where the deduction can be utilised) arising on the issue of ordinary shares are recognised in equity as a reduction of the share proceeds received.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014**

---

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)****Share Based Payments**

The economic entity makes equity-settled share based payments to directors, employees and other parties for services provided or the acquisition of exploration assets. Where applicable, the fair value of the equity is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a binomial lattice pricing model which incorporates all market vesting conditions. Where applicable, the number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Where the fair value of services rendered by other parties can be reliably determined, this is used to measure the equity-settled payment.

**Revenue**

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

**Employee Benefits***Short-term employee benefit obligations*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled wholly within 12 months after the end of the reporting period are recognised in liabilities in respect of employees' services rendered up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled.

**Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST (or overseas VAT), except where the amount of GST incurred is not recoverable. In these circumstances the GST (or overseas VAT) is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis except for the GST component of investing and financing activities which are disclosed as operating cash flows.

**Foreign Currency Transactions and Balances***Functional and presentation currency:*

The functional and presentation currency of Elementos Ltd and its Australian subsidiaries is Australian dollars (\$A).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

---

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)**

**Foreign Currency Transactions and Balances (cont)**

*Transactions and balances:*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were measured.

Exchange differences arising on the translation of monetary items are recognised in the profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

*Group Companies:*

The financial results and position of foreign operations whose functional currency is different from the economic entity's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are recognised in other comprehensive income.

**Earnings Per Share (EPS)**

Basic earnings per share is calculated by dividing the loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period adjusted for any bonus elements in ordinary shares issued during the period.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**Critical Accounting Estimates and Judgements**

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the economic entity.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014**

---

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)****Critical Accounting Estimates and Judgements (cont)****Key Judgements***Exploration and Evaluation Assets*

The economic entity performs regular reviews on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. These reviews are based on detailed surveys and analysis of drilling results performed to reporting date.

Exploration and evaluation assets at 30 June 2014 were \$6,456,348 (2013: \$2,879,676).

*Acquisition of Elementos Ltd*

During the year, Rockwell Minerals Ltd's original shareholders acquired a majority share interest in Elementos Ltd as part of the merger transaction. For the purpose of accounting for this transaction, Elementos Ltd was not considered a business as defined in AASB3 Business Combinations. Contributing to this judgement is the fact that at the date of the merger, proven and probable reserves had not yet been established for the Elementos tenements, and significant additional expenditure was required to establish the viability of these tenements.

***New and Amended Standards and Interpretations***

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current period or any period prior and are not likely to affect future periods.

A number of new standards and amendments to the standards are effective for financial reporting periods beginning and after 1 July 2014 and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements when they are first applied.

***Fair Values***

Fair values may be used for financial asset and liability measurement as well as for sundry disclosures.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is based on the presumption that the transaction takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market. The principal or most advantageous market must be accessible to, or by, the Group.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability assuming that market participants act in their best economic interest.

The fair value measurement of a non-financial asset takes into account the market participant's ability to generate economic benefits by using the asset at its highest and best use or by selling it to another market participant that would use the asset at its highest and best use.

In measuring fair value, the Group uses valuation techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.

ELEMENTOS LIMITED  
ABN 49 138 468 756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

	30 June 2014	30 June 2013
	\$	\$
<b>NOTE 2: REVENUE</b>		
<b>Revenue from operating activities:</b>		
Interest received from other persons	11,141	3,885
Other	1,500	-
	<u>12,641</u>	<u>3,885</u>
<b>NOTE 3: EXPENSES</b>		
<b>Included in expenses are the following items:</b>		
Depreciation	8,079	-
Foreign currency translation loss	139	-
Employee benefits expense comprises:		
Salaries and wages	388,008	63,000
Contributions to defined contribution plans	28,711	5,670
Equity settled options	64,170	-
Annual leave expensed	10,704	-
Less capitalised as exploration assets	(51,605)	-
	<u>439,988</u>	<u>68,670</u>
<b>NOTE 4: INCOME TAX EXPENSE</b>		
The prima facie tax on the operating loss is reconciled to income tax expense as follows:		
Prima facie tax/(benefit) on loss from ordinary activities before income tax at 30% (2013: 30%)	(447,496)	(102,269)
<b>Adjust for tax effect of:</b>		
Non-deductible amounts	32,832	
Deferred tax assets not recognised	414,664	102,269
Income tax expense/(benefit)	<u>-</u>	<u>-</u>

ELEMENTOS LIMITED  
ABN 49 138 468 756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

	30 June 2014	30 June 2013
	\$	\$
<b>NOTE 4: INCOME TAX (CONT)</b>		
Deferred tax assets and liabilities not recognised, the net benefit of which will only be realised if the conditions for deductibility set out in Note 1 occur:		
Temporary differences	298,425	-
Tax losses (current year COT)	384,507	-
Tax losses (prior year SBT)	2,310,526	598,684

The Group has carried forward tax losses of \$8,983,443 in Australia, of which \$7,701,754 has failed the Continuity of Ownership Test (COT), and the Same Business Test (SBT) must be satisfied in order to utilise these.

**NOTE 5: CASH AND CASH EQUIVALENTS**

Cash at bank and on hand	639,462	143,733
Short term deposits	43,227	-
	682,689	143,733

**NOTE 6: TRADE AND OTHER RECEIVABLES**

**Current:**

Other receivables	25,527	153,368
-------------------	--------	---------

There are no balances within other receivables that contain assets that are impaired or are past due. It is expected these balances will be received when due. There are no balances with terms that have been renegotiated, but which would otherwise be past due or impaired.

These amounts are non-interest bearing and generally on 30 day terms. No collateral is held over receivables.

ELEMENTOS LIMITED  
ABN 49 138 468 756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

	30 June 2014	30 June 2013
	\$	\$
<b>NOTE 7: OTHER CURRENT ASSETS</b>		
<b>Current:</b>		
Other deposits	790	-
Prepayments	13,616	18,850
	<u>14,406</u>	<u>18,850</u>

**NOTE 8: EXPLORATION AND EVALUATION ASSETS**

Exploration and evaluation expenditure carried forward in respect of areas of interest are:

Exploration and evaluation phase - at cost	6,456,348	2,879,676
--	-----------	-----------

**Movement in exploration and evaluation assets:**

Opening balance - at cost	2,879,676	921,886
Acquisition of tenements	808,011	1,898,685
Capitalised exploration expenditure	891,063	59,105
Exploration and evaluation assets acquired on the merger	2,750,000	-
Foreign currency translation movement	(594,929)	-
Exploration and evaluation assets written off	(277,473)	-
Carrying amount at the end of the year	<u>6,456,348</u>	<u>2,879,676</u>

Recoverability of the carrying amount of exploration assets is dependent on the successful development and commercial exploitation of projects, or alternatively, through the sale of the areas of interest.

Elementos Limited completed a merger transaction during the year with Rockwell Minerals Limited. As part of this merger, exploration assets with a fair value of \$2,750,000 were acquired.

In regards to the Santo Domingo and Cleveland projects, payments have been made in accordance with the respective agreements for these projects. There has been recent exploration activity in relation to these projects, and ongoing activity is planned.

The carrying value of exploration assets includes approximately \$1.8 million for the Santo Domingo project in Argentina. The project is still subject to extensive due diligence. The next project option payment is due in mid-October 2014. The directors will make an assessment on the project at this time.

The Manantiales and Tamaya projects have been written off in full.

ELEMENTOS LIMITED  
ABN 49 138 468 756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

	30 June 2014	30 June 2013
	\$	\$
<b>NOTE 9: PLANT AND EQUIPMENT</b>		
<b>Plant and Equipment</b>		
At cost	117,875	-
Accumulated depreciation	(81,815)	-
Total plant and equipment	36,060	-

Reconciliation of the carrying amounts for property, plant and equipment is set out below:

Balance at the beginning of year	-	-
Additions on merger	44,524	-
Additions during the year	208	-
Disposals during the year	-	-
Depreciation expense	(8,079)	-
Foreign currency translation movement	(593)	-
Carrying amount at the end of year	36,060	-

**NOTE 10: OTHER NON-CURRENT ASSETS**

Security deposit	7,950	-
Tax credits	18,097	-
	26,047	-

**NOTE 11: TRADE AND OTHER PAYABLES**

**Current:**

Trade payables and accrued expenses	476,813	337,008
Short term employee benefits	8,502	5,670
Total payables (unsecured)	485,315	342,678

The average credit period on purchases of goods and services is 30 days. No interest is paid on trade payables.

ELEMENTOS LIMITED  
ABN 49 138 468 756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

**NOTE 12: CONTRIBUTED EQUITY**

		2014		2013	
		No. of Shares	\$	No. of Shares	\$
<b>Fully paid ordinary shares</b>					
Balance as at 1 July		70,390,006	4,998,940	52,170,006	2,796,440
Rockwell shares issued prior to merger					
26 July 2013	(a)	4,000,000	200,000		
2 August 2013	(b)	4,890,000	244,500		
Reversal of existing shares on merger		(79,280,006)	-		
Existing Elementos shares on issue		188,638,746	-		
Issue of shares on acquisition of Rockwell Minerals Limited (refer note 19)		277,480,026	2,841,749		
Other share issues:					
31 December 2012	(c)			6,020,000	752,500
31 December 2012	(d)			11,200,000	1,400,000
30 June 2013	(e)			1,000,000	50,000
22 November 2013	(f)	632,507	12,081		
22 November 2013	(g)	68,950,000	1,379,000		
20 March 2014	(h)	15,000,000	300,000		
20 March 2014	(i)	887,923	14,278		
11 June 2014	(j)	48,066,667	576,800		
11 June 2014	(n)	29,166,667	350,000		
11 June 2014	(k)	120,000	2,400		
11 June 2014	(l)	3,395,135	49,908		
11 June 2014	(m)	973,199	14,306		
Balance as at 30 June		633,310,870	10,983,962	70,390,006	4,998,940
Total transaction costs associated with share issues			(59,794)		-
Net issued capital			10,924,168		4,998,940

ELEMENTOS LIMITED  
ABN 49 138 468 756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

---

**NOTE 12: CONTRIBUTED EQUITY (CONT)**

Ordinary shareholders are entitled to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amount paid on the shares held. Every ordinary shareholder present at a meeting in person or by proxy is entitled to one vote on a show of hands or by poll. Ordinary shares have no par value.

- (a) Issued at 5 cents each, pursuant to directors and executive staff salary sacrifice plan.
- (b) Issued at 5 cents each, pursuant to a private placement.
- (c) Issued at 12.5 cents each, pursuant to a private placement.
- (d) Issued at 12.5 cents each, as payment for a tenement acquisition.
- (e) Issued at 5 cents each, pursuant to directors and executive staff salary sacrifice plan
- (f) Issued at 1.91 cents each, pursuant to directors and executive staff salary sacrifice plan.
- (g) Issued at 2 cents each, pursuant to a private placement.
- (h) Issued at 2 cents each, pursuant to a private placement.
- (i) Issued at 1.608 cents each, pursuant to directors and executive staff salary sacrifice plan.
- (j) Issued at 1.2 cents each, pursuant to a private placement.
- (k) Issued at 2.0 cents each, as settlement of placement fees.
- (l) Issued at 1.47 cents each, as payment of a tenement option payment.
- (m) Issued at 1.47 cents each, pursuant to directors and executive staff salary sacrifice plan.
- (n) Issued at 1.2 cents each, issued as payment to acquire an interest in a tenement.

ELEMENTOS LIMITED  
ABN 49 138 468 756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

**NOTE 12: CONTRIBUTED EQUITY (CONT)**

	30 June 2014	30 June 2013
Options	No. of Options	No. of Options
<b>Unlisted Share Options</b>	18,400,000	-
Balance at the beginning of the reporting period	-	-
Options acquired as part of the merger	9,100,000	-
Options issued during the period:		
Issued to directors (a)	6,200,000	-
Issued to staff (b)	3,100,000	-
Exercised by directors	-	-
Exercised by staff	-	-
Lapsed by directors	-	-
Exercisable at end of year	18,400,000	-

(a) Issued to directors pursuant to shareholder approval

(b) Issued to staff pursuant to the Employee Share Option Plan

**Capital Management**

Exploration companies such as Elementos Limited are funded almost exclusively by share capital. The Group has no debt. The Group's capital comprises equity, as disclosed in the statement of financial position.

Management controls the capital of the Group to ensure it can fund its operations and continue as a going concern. Capital management policy is to fund its exploration activities by way of equity. No dividend will be paid while the Group is in exploration stage. There are no externally imposed capital requirements.

There have been no changes to the capital management policies during the period.

**ELEMENTOS LIMITED**  
**ABN 49 138 468 756**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 13: RESERVES**

**Foreign Currency Translation Reserve**

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries. Amounts are reclassified to profit or loss when the investment is disposed of.

**Share-Based Payments Reserve**

The share-based payment reserve is used to recognise the fair value of options issued to employees. This reserve can be reclassified as retained earnings if options lapse.

**NOTE 14: CASH FLOW INFORMATION**

	30 June 2014	30 June 2013
	\$	\$
<b>Reconciliation of Cash Flow from Operations with Loss after Income Tax:</b>		
Profit/(loss) after income tax	(1,491,656)	(340,896)
Non-cash flows in loss from ordinary activities:		
Depreciation	8,079	-
Share based payment expense	64,170	-
Exploration expenditure	277,473	-
Equity settled compensation	245,269	-
Changes in operating assets and liabilities:		
(Increase)/Decrease in receivables	143,292	(158,485)
(Increase)/Decrease in prepayments and other assets	4,444	-
(Decrease)/Increase in payables	(326,446)	335,678
Cash flows from operations	<u>(1,075,375)</u>	<u>(163,703)</u>

Refer to Note 19 for information regarding non-cash investing activities. During the year, \$350,000 in shares was issued as part settlement to acquire the remaining 50% interest in the Cleveland project, and \$49,908 in shares was issued as an option payment in relation to the Santo Domingo project. There were no other non-cash financing and investing activities during the period.

ELEMENTOS LIMITED

ABN 49 138 468 756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

	30 June 2014	30 June 2013
	\$	\$
<b>NOTE 15: EARNINGS PER SHARE</b>		
Net loss used in the calculation of basic and diluted EPS	(1,491,656)	(340,896)
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS	452,331,868	211,982,076

Weighted average number of ordinary shares during the current period has been calculated using:

- (i) the number of ordinary shares outstanding from the beginning of the current period to the acquisition date computed on the basis of the weighted average number of ordinary shares of Rockwell Minerals Limited (accounting acquirer) outstanding during the period multiplied by the exchange ratio of 1 Rockwell Minerals Limited share to 3.5 Elementos Limited shares;
- (ii) the number of ordinary shares outstanding from the acquisition date to the end of that period being the actual number of ordinary shares of Elementos Limited (the accounting acquiree) outstanding during that period.

The basic earnings per share for the comparative period before the acquisition date presented in the consolidated financial statements has been calculated using Rockwell Minerals Limited's historical weighted average number of ordinary shares outstanding multiplied by the exchange ratio of 1 Rockwell Minerals Limited share to 3.5 Elementos Limited shares.

Options are considered potential ordinary shares. Options issued are not presently dilutive and were not included in the determination of diluted earnings per share for the period.

**NOTE 16: COMMITMENTS**

**(a) Exploration Commitments**

The economic entity must meet minimum expenditure commitments in relation to option agreements over exploration tenements and to maintain those tenements in good standing.

The following commitments exist at reporting date but have not been brought to account. If the relevant option to acquire a mineral tenement is relinquished the expenditure commitment also ceases.

Not later than 1 year	1,443,579	-
Later than 1 year but not later than 5 years	1,921,057	750,000
Total commitment	3,364,636	750,000

**ELEMENTOS LIMITED**  
**ABN 49 138 468 756**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 16: COMMITMENTS (CONT)**

**(b) Operating Lease Commitments**

The operating leases consist of premises and equipment leases.

Not later than 1 year

Later than 1 year but not later than 5 years

Total commitment

	30 June 2014	30 June 2013
	\$	\$
Not later than 1 year	15,732	-
Later than 1 year but not later than 5 years	-	-
Total commitment	15,732	-

**NOTE 17: CONTINGENT LIABILITIES**

There were no contingent liabilities at the end of the reporting period.

**NOTE 18: RELATED PARTY TRANSACTIONS**

**Parent Entity**

Elementos Limited is the legal parent and ultimate parent entity of the Group, owning 100% of all subsidiaries at 30 June 2014.

**Subsidiary**

Interest in subsidiaries are disclosed in Note 23.

**Key Management Personnel**

Short-term employee benefits

Post-employment benefits

Other long-term benefits

Share-based payments

Short-term employee benefits	198,419	63,000
Post-employment benefits	18,353	-
Other long-term benefits	-	-
Share-based payments	242,780	-
	459,552	63,000

**NOTE 19: SHARE-BASED PAYMENTS**

**Merger**

On 14 October 2013, Elementos Limited completed a merger transaction with Rockwell Minerals Limited to acquire 100% of the issued capital through an off-market takeover offer.

Under the takeover offer, each Rockwell shareholder was offered 3.5 Elementos shares for each Rockwell share, resulting in Rockwell shareholders becoming the controlling shareholders of Elementos.

Consequently, this transaction was accounted for as discussed in Note 1.

**ELEMENTOS LIMITED**  
**ABN 49 138 468 756**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 19: SHARE-BASED PAYMENTS (CONT)**

The value of the transaction is as follows:

Assets and liabilities acquired	
Cash and cash equivalents	149,056
Trade and other receivables	37,907
Other current assets	3,591
Property, plant and equipment	44,524
Exploration and evaluation assets	2,750,000
Trade and other payables	(343,965)
	<u>2,641,113</u>
Fair value of notional shares that Rockwell Minerals Limited issued to effect the transaction	2,841,749
Listing expense	<u>200,636</u>

The fair value of the shares was assessed on the basis of the fair value of the net assets acquired and Elementos Limited's listing status.

**Director and Employee Share-based Payments**

	30 June 2014	30 June 2013
	\$	\$
Share based payment expense recognised during the year:		
Options issued to employees under employee share option plan	21,390	-
Options issued to directors under director share option plan	42,780	-
	<u>64,170</u>	<u>-</u>

(a) The following share-based payment arrangements existed at 30 June 2014:

(i) On 20 March 2014, 6,200,000 share options were issued to Calvin Treacy under the Elementos Limited Directors and Officers Share Option Plan, to take up ordinary shares at an exercise price of 3 cents. The options vested immediately and are exercisable on or before 20 March 2018. The options hold no voting or dividend rights and are not transferable.

(ii) On 20 March 2014, 3,100,000 share options were issued to staff under the Elementos Limited Directors and Officers Share Option Plan, to take up ordinary shares at an exercise price of 3 cents. The options vested immediately and are exercisable on or before 20 March 2018. The options hold no voting or dividend rights and are not transferable.

ELEMENTOS LIMITED  
ABN 49 138 468 756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

**NOTE 19: SHARE BASED PAYMENTS (CONT)**

(b) All options granted are over ordinary shares in Elementos Limited, which confer a right of one ordinary share per option. The options hold no voting or dividend rights and are not transferrable. These options are summarised as:

	2014		2013	
	Number of Options No.	Weighted Average Exercise Price \$	Number of Options No.	Weighted Average Exercise Price \$
Outstanding at the beginning of the year	-	-	-	-
Acquired as part of the merger	11,450,000	0.211	-	-
Granted	9,300,000	-	-	-
Forfeited	(850,000)	-	-	-
Exercised	-	-	-	-
Expired	(1,500,000)	-	-	-
Outstanding at year-end	18,400,000	0.211	-	-
Exercisable and vested at year-end	17,400,000	0.231	-	-

There are no options subject to escrow at the end of the year.

The weighted average fair value of options granted in the year was 0.69 cents (2013: \$nil). The fair values of options were calculated using a binomial lattice pricing model. Volatility was based on historical share price as it is assumed this is indicative of future movements.

No options were exercised during the year (2013: nil). The weighted average of the remaining contractual life of share options outstanding at 30 June 2014 was 3.75 years (2013: nil).

ELEMENTOS LIMITED  
ABN 49 138 468 756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

**NOTE 19: SHARE BASED PAYMENTS (CONT)**

The inputs used for the option pricing model for director and employee options granted during the year ended 30 June 2014 were:

	Director Options	Staff Options
Number of options granted	6,200,000	3,100,000
Date of grant and exercise of options	20 March 2014	20 March 2014
Option expiry date	20 March 2018	20 March 2018
Share price	1.80 cents	1.80 cents
Exercise price	3.00 cents	3.00 cents
Expected volatility	64%	64%
Option life	4 years	4 years
Expected dividends	nil	nil
Risk-free interest rate	4.25%	4.25%
Fair value at grant date	0.69 cents	0.69 cents

No options were granted during the year ended 30 June 2013.

30 June 2014	30 June 2013
\$	\$

**NOTE 20: AUDITORS' REMUNERATION**

Remuneration of the auditor of the parent entity:

BDO Audit Pty Ltd and its related entities

- auditing or reviewing the financial reports
- independent experts report and associated advice

22,136	12,010
7,500	-
29,636	12,010

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

---

**NOTE 21: FINANCIAL RISK MANAGEMENT**

**(a) Financial Risk Management Policies**

The Elementos Group's financial instruments comprises cash balances, receivables and payables. The main purpose of these financial instruments is to provide finance for Group operations.

**Treasury Risk Management**

Key executives of the Company meet on a regular basis to analyse exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Management is responsible for developing and monitoring the risk management policies and reports to the board.

**Financial Risks**

The main risks the Group is exposed to through its financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. These risks are managed through monitoring of forecast cash flows, interest rates, economic conditions and ensuring adequate funds are available.

**Interest Rate Risk**

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's cash flows or fair value will fluctuate as a result of changes in market interest rates, arises in relation to the economic entity's bank balances.

This risk is managed through the use of variable rate bank accounts.

**Liquidity Risk**

Liquidity risk is the risk that the economic entity will not be able meet its financial obligations as they fall due. This risk is managed by ensuring, to the extent possible, that there is sufficient liquidity to meet liabilities when due, without incurring unacceptable losses or risking damage to the economic entity's reputation.

The economic entity's activities are funded from equity sources.

**Credit Risk**

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is their carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Credit risk arises from exposures to deposits with financial institutions and sundry receivables.

Credit risk is managed and reviewed regularly by key executives. The key executives monitor credit risk by actively assessing the rating quality and liquidity of counter parties:

- only banks and financial institutions with an 'A' rating are utilised; and
- all other entities are rated for credit worthiness taking into account their size, market position and financial standing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

**NOTE 21: FINANCIAL RISK MANAGEMENT (CONT)**

At 30 June 2014, there was no concentration of credit risk, other than bank balances and on geographical basis with most financial assets in Australia (2013: nil).

**Foreign Currency Risk**

The economic entity is exposed to fluctuations in foreign currencies arising from the purchase of goods and services in currencies other than the relevant entity's functional currency.

Financial assets and liabilities exist for the economic entity's Argentine operations, and thus there is exposure to the Argentine Peso. As this risk is minor, it is not hedged. At reporting date, the net foreign currency risk (stated in \$AUD) was \$3,014 (2013: \$nil).

Financial assets and liabilities exist for the economic entity's Chilean operations, and thus there is exposure to the Chilean Peso. As this risk is minor, it is not hedged. At reporting date, the net foreign currency risk (stated in \$AUD) was \$358 (2013: \$nil).

**(b) Financial Instrument Composition and Contractual Maturity Analysis**

	30 June 2014	30 June 2013
	\$	\$
Financial assets:		
Within 6 months		
- cash & cash equivalents (i)	682,689	143,733
- receivables (ii)	25,527	153,368
	<u>708,216</u>	<u>297,101</u>
Financial liabilities:		
Within 6 months		
- payables (ii)	(485,315)	(342,678)

(i) Floating interest rates, with weighted average effective interest rate 0.32%, with an average maturity of 5 days.

(ii) Non-interest bearing. The contractual cash flows do not differ to the carrying amount.

**(c) Net Fair Values**

Fair values of financial assets and financial liabilities are materially in line with carrying values.

**(d) Sensitivity Analysis**

The Company has performed sensitivity analysis relating to its exposure to interest rate risk. At year end, the effect on profit and equity as a result of a 1% change in the interest rate, with all other variables remaining constant would be +/- \$6,821 (2013: \$1,473).

The Group has performed sensitivity analysis relating to its exposure to foreign exchange risk. At year end, the effect on profit and equity as a result of a 10% change in the Argentine Peso, with all other variables remaining constant would be +/- \$9,602 (2013: \$Nil). The effect on profit and equity as a result of a 10% change in the Chilean Peso, with all other variables remaining constant would be +/- \$462 (2013: \$Nil).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 22: SEGMENT REPORTING****Description of Segments**

Operating segments have been determined on the basis of reports reviewed by the chief operating decision maker. The Managing Director is considered to be the chief operating decision maker of the Group. The Managing Director assesses and reviews activities based on each area of interest. Each area of interest is aggregated on a geographic basis to form a reportable segment. The Group's exploration activities in each area of interest are primarily centered around tin, copper and gold. The Group's reportable segments are Australia, Chile and Argentina.

**Information provided to the Managing Director**

Segment information provided to the Managing Director for the year ended 30 June 2014 is as follows:

<b>2014</b>	<b>Australia</b>	<b>Chile</b>	<b>Argentina</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Depreciation	(6,656)	-	(1,423)	(8,079)
Write back/(off) of exploration assets	57,919	-	-	57,919
EBITDA	(733,416)	(11,978)	(436,342)	(1,181,736)

**Segment Assets and Liabilities**

Segment assets	2,281,808	13,187	1,792,868	4,087,863
Segment liabilities	(412,254)	(6,638)	(21,127)	(440,019)
Additions to capitalised exploration expenditure	1,585,205	-	2,863,869	4,449,074

For the year ended 30 June 2013, the Group was considered to only have one segment.

ELEMENTOS LIMITED

ABN 49 138 468 756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 22: SEGMENT REPORTING (CONT)

	30 June 2014
	\$
Segment profit or loss before tax	(1,181,736)
Interest received from other persons	1,551
Corporate and other expenses	(311,471)
Profit or loss before tax	(1,491,656)

Segment assets excludes corporate assets. Segment assets reconciles to total assets as follows:

	30 June 2014
	\$
Segment assets	4,087,863
Cash	660,999
Plant and equipment	35,121
Other corporate assets	2,457,094
Total assets	7,241,077

Segment liabilities excludes corporate liabilities. Segment liabilities reconciles to total liabilities as follows:

	30 June 2014
	\$
Segment liabilities	(440,019)
Trade and other payables	(45,296)
Total liabilities	(485,315)

NOTE 23: SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in Note 1:

	Country of incorporation	Ownership interest	
		2014	2013
Rockwell Minerals Limited	Australia	100%	100%
Rockwell Minerals (Tasmania) Pty Ltd	Australia	100%	100%
Element Minerals Australia Pty Ltd	Australia	100%	-
Elementos Minerales S.A.	Argentina	100%	-
Elementos Chile Limitda	Chile	100%	-

**ELEMENTOS LIMITED**  
**ABN 49 138 468 756**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 24: SUBSEQUENT EVENTS**

Subsequent to year end, the Group completed a rights issue, raising \$1.53 million (127,502,634 shares).

Subsequent to year end, the Group's Chilean subsidiary was officially closed down. There will be no material effect on the financial accounts, as the Group's Tamaya project was fully written off in the 2014 year.

**NOTE 25: PARENT ENTITY INFORMATION**

The following information relates to the parent entity, Elementos Limited at 30 June 2014. This information has been prepared using consistent accounting policies as presented in Note 1.

	30 June 2014	30 June 2013
	\$	\$
Current assets	684,820	373,233
Non-current assets	17,098,985	6,095,505
Total assets	17,783,805	6,468,738
Current liabilities	106,183	287,949
Non-current liabilities	-	-
Total liabilities	106,183	287,949
Contributed equity	26,819,699	18,250,596
Reserves	1,073,392	1,009,222
Accumulated losses	(10,215,469)	(13,079,029)
Total equity	17,677,622	6,180,789
Loss for the period	(3,349,071)	(8,273,952)
Other comprehensive income for the period	-	-
Total comprehensive income for the period	(3,349,071)	(8,273,952)

The Company has no contingent liabilities, nor has it entered into any guarantees in relation to the debts of its subsidiaries (2013: nil).

The Company has not entered into any contractual commitments for the acquisition of property, plant and equipment (2013: nil).

The Company and its Australian 100% owned controlled entities have formed a tax consolidated group.

Members of the Group entered into a tax sharing arrangement. The agreement provides for the allocation of income tax liabilities between the entities in proportion to their contribution to the Group's taxable income. The head entity of the tax consolidated Group is Elementos Ltd.

**NOTE 26: COMPANY DETAILS**

The registered office and principal place of business is:

Level 8, 26 Wharf Street  
Brisbane, Queensland, 4000 Australia

**DIRECTORS' DECLARATION**

The directors of the Company declare that:

1. The attached financial statements and notes are in accordance with the Corporations Act 2001, including:
  - (a) complying with Accounting Standards which, as stated in accounting policy note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
  - (b) giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2014 and of their performance for the financial year ended on that date.
2. The chief executive officer and chief financial officer have each declared that:
  - (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view.
3. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the board of directors.



**C Treacy**  
**Managing Director**

Dated this 30th September 2014  
Brisbane, Queensland

## INDEPENDENT AUDITOR'S REPORT

To the members of Elementos Limited

### Report on the Financial Report

We have audited the accompanying financial report of Elementos Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Elementos Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

## Opinion

In our opinion:

- (a) the financial report of Elementos Limited is in accordance with the Corporations Act 2001, including:
- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

## Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity, successful exploration and subsequent exploitation of the consolidated entity's tenements, and/or sale of non-core assets. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

## Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Opinion

In our opinion, the Remuneration Report of Elementos Limited for the year ended 30 June 2014 complies with section 300A of the Corporations Act 2001.

**BDO Audit Pty Ltd**

BDO



**A J Whyte**

Director

Brisbane, 30 September 2014

**ELEMENTOS LIMITED**

ABN 49 138 468 756

**ASX INFORMATION**

Following is additional information required by the Australian Securities Exchange Limited and not disclosed elsewhere in this report.

**1. Equity:**

The following information is provided as at 13 October 2014

**Shareholding**

Distribution of Shareholders Number

Category Number (Size of Holding)	Ordinary Shares (Number)	Shares Held (Number)
1 - 1,000	54	10,674
1,001 - 5,000	86	266,032
5,001 - 10,000	93	764,554
10,001 - 100,000	327	13,580,084
100,001 - and over	332	745,595,294
	892	760,216,638

The number of shareholdings held in less than marketable parcels is 46.

Twenty Largest Holders - Ordinary Shares:

	Shareholder	Number of Shares Held	% of Total Issued Capital
1	MR ANDREW CARLYLE GREIG	164,000,001	21.573
2	BOURSE SECURITIES PTY LTD	68,366,667	8.993
3	ANDES INVESTORS LLC	56,826,208	7.475
4	J P MORGAN NOMINEES AUSTRALIA LIMITED	44,032,138	5.792
5	MR MICHAEL DAVID ADAMS & MRS CAROL ADAMS	22,890,004	3.011
6	SEAFOR INVESTMENTS PTY LIMITED <TREACY FAMILY A/C>	17,450,004	2.295
7	1514341 ONTARIO INC	17,200,000	2.263
8	WILLIAM RICHARDS GOODALL <THE GOODALL FAMILY A/C>	15,750,004	2.072
9	MR PHILLIP GERRARD BERRY	15,000,000	1.973
10	CHRISTOPHER JOHN STAPLES & ANNA CLAIRE STAPLES <THE STAPLES A/C>	14,350,004	1.888
11	THE WELL BENEATH PTY LIMITED <THE DUFFERY FAMILY A/C>	12,250,004	1.611
12	RICHARD SEVILLE & ASSOCIATES PTY LTD <THE SEVILLE SUPER FUND A/C>	11,340,087	1.492
13	LEET INVESTMENTS PTY LIMITED	8,975,732	1.181
14	MR JOHN DOUGLAS JEFFERY & MRS ELSPETH LOUISE JEFFERY <GIBSON BROS HOLDING S/F A/C>	8,250,000	1.085
15	BELMONT PARK INVESTMENT PTY LTD	7,615,386	1.002
16	MR RICHARD PHILLIP SEVILLE	7,500,000	0.987
17	CALVIN PATRICK TREACY	7,000,000	0.921
18	MR NEIL FRANCES STUART	6,728,561	0.885
19	MR TIMOTHY NEWTON	5,600,000	0.737
20	KRAM NOMINEES PTY LTD	4,872,365	0.641

## ELEMENTOS LIMITED

ABN 49 138 468 756

### ASX INFORMATION

The substantial shareholders listed in the Company's register as at 13 October 2014 are:

Shareholder	Number of Shares Held
MR ANDREW CARLYLE GREIG	164,000,001
BOURSE SECURITIES PTY LTD	68,366,667
ANDES INVESTORS LLC	56,826,208

### Unlisted Equity Securities

The following unlisted securities were on issue as at 13 October 2014.

Security	Number	No. of Holders
Options exercisable at 22.6 cents on or before 23 October 2015	4,500,000	2
Options exercisable at 22.6 cents on or before 7 September 2015	550,000	1
Options exercisable at 22.6 cents on or before 30 November 2015	500,000	1
Options exercisable at 32.6 cents on or before 18 January 2017	1,000,000	1
Options exercisable at 6 cents on or before 3 December 2016	200,000	1
Options exercisable at 6 cents on or before 20 January 2017	2,350,000	4
Options exercisable at 3 cents on or before 20 March 2018	9,300,000	2

### Voting Rights

Each ordinary share is entitled to one vote when a poll is called. Otherwise each member present at a meeting has one vote on a show of hands.

There are no voting rights attaching to either the listed or unlisted Options, but voting rights as detailed above will attach to the ordinary shares issued when the Options are exercised.

#### 2. Registers of securities are held at the following address:

Boardroom Pty Ltd  
Level 7  
207 Kent Street  
Sydney NSW 2000 Australia

## **ASX INFORMATION**

---

### **3. Stock Exchange Listing**

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Stock Exchange Limited, other than those classified as restricted securities and detailed below.

### **4. Restricted Securities**

The Company has no restricted securities.

### **5. Use of Cash and Convertible assets**

During the year, the Company has used cash and assets readily convertible to cash in a manner consistent with its business activities. The Company is involved in an advanced stage tin-copper and tungsten project in Tasmania, as well as mineral exploration in Australia and Argentina.

# ELEMENTOS LIMITED

ABN 49 138 468 756

## ASX INFORMATION

### 6. Schedule of Tenements

Tenement Name	Tenement Number	Area (Hectares)	Elementos Interest	Location of Tenements
Cleveland	EL7/2005	1798	100%	Tasmania
	EL9/2006	4195	100%	Tasmania
	EL15/2011	3358	100%	Tasmania
Millenium	ML 2512	4	100%	Queensland
	ML 2761	20	100%	Queensland
	ML 2762	16	100%	Queensland
	ML 7506	50	100%	Queensland
	ML 7507	45	100%	Queensland
	EPM 18402	5146	100%	Queensland
	EPM 18773	3859	100%	Queensland
	EPM 18793	2251	100%	Queensland
	EPM 18982	4184	100%	Queensland
	EPM 19014	6111	100%	Queensland
	EPM 19036	3216	100%	Queensland
Selwyn South	EPM 19371	3860	100%	Queensland
	EPM 19375	6433	100%	Queensland
	EPM 19426	643	100%	Queensland
Santo Domingo	1124-493-G-07	497	Nil - earning	Argentina
	1124-094-G-09	511	Nil - earning	Argentina
	1124-454-G-09	500	Nil - earning	Argentina
	1124-643-G-10	1940	Nil - earning	Argentina
	1124-309-G-12	1500	Nil - earning	Argentina
	1124-308-G-12	200	Nil - earning	Argentina
	1124-149-G-14	1995	Nil - earning(i)	Argentina
	1124-148-G-14	1499	Nil - earning(i)	Argentina
	1124-350-G-14	340	Nil - earning(i)	Argentina
	1124-351-G-14	1269	Nil - earning(i)	Argentina
	1124-494-G-07	900	Nil - earning(i)	Argentina
	1124-495-G-07	1338	Nil - earning(i)	Argentina
	1124-496-G-07	900	Nil - earning(i)	Argentina
	1124-497-G-07	900	Nil - earning(i)	Argentina
	1124-499-G-07	900	Nil - earning(i)	Argentina
	1124-500-G-07	900	Nil - earning(i)	Argentina
	1124-265-G-08	2616	Nil - earning(i)	Argentina
	1124-633-G-10	1179	Nil - earning(i)	Argentina
	1124-022-G-11	1500	Nil - earning(i)	Argentina
	1124-131-O-09	4953	Nil - earning(i)	Argentina
	1124-132-O-09	9203	Nil - earning(i)	Argentina

(i) Tenements/Cateos in process of being granted/transferred





Level 8  
26 Wharf Street  
Brisbane, QLD, Australia

Tel: +617 3221 7770  
Fax: +617 3221 7773

ASX: **ELT**

For further information please email:  
[admin@elementos.com.au](mailto:admin@elementos.com.au)

[www.elementos.com.au](http://www.elementos.com.au)

For personal use only